A REPORT

AND RECOMMENDATIONS

RESPECTING THE REGULATION OF

FIRST INVESTORS CORPORATION LTD. (FIC)

BY THE PROVINCE OF NEW BRUNSWICK

Office of the Ombudsman
Fredericton, NB
May, 1991

TABLE OF CONTENTS*

Page

PART ONE - Findings and Conclusions

I. Introduction 1

II. Procedure on Investigation 5

III. Findings 7

IV. Conclusions 13

V. Recommendations 19

PART TWO - The Legislative and Administrative History of New Brunswick Securities Legislation

I. Introduction 21

II. Securities and Investment Contracts in Canada 24

III. Sale of Securities Act, 1923 26

IV. Security Frauds Prevention Act, 1935 (Securities Act) . 32

V. Changes to the Securities Act 37

VI. The Transfer of Authority for the Securities Act 46

VII. Findings 52

PART THREE - The Regulation of First Investors Corporation Ltd. (FIC) by the Province of New Brunswick

I. Introduction 54

II. The Regulatory Framework - 1984-1987 56

A) Overview 56
B) Security Issuers Certification 58
C) Broker Registration 63
D) Salesman Registration 64
E) Special Registration/Certification Requirements - The 1960 Covenant 65
F) Discretionary Legislative Powers Under the Securities Act 71

Page

III. The Registration/Certification of the Principal Group Under the Securities Act 73

A) Overview 73
B) Major Administrative Shortcomings 76

1) FIC's Security Issuer Lapse 76
2) PCL's Broker Registration Lapse 78
3) Lapse in Salesman Registration of Principal's Moncton Office Manager 80
4) Absence of Evidence to Permit Ex Post Facto Analysis 82
5) Bureaucratic Malaise 85

IV. The Governmental Response Respecting the Issue of Maladministration 98

A) Overview 98
B) Lack of Resources 99
C) Reliance on the Primary Regulator 103
D) Fraud 108
E) Lack of Complaints 109
F) Insufficient Legislation 111
G) Investor Responsibility 111

V. Findings 112

TABLE OF APPENDICES

APPENDIX A - Final Report of the Inspector William E. Code, Q.C., Calgary, Alberta, July 18, 1989 130

APPENDIX B - Special Report "The Role of the Provincial Government in the Regulation of The Principal Group of Companies", Office of the Ombudsman, Province of Alberta, 1989 130

APPENDIX C - Report to the Minister, "In the Matter of the Trade Practice Act, R.S.B.C. 1979, c. 406 AND In the Matter of First Investors Corporations Ltd., Associated Investors of Canada Ltd., Principal Consultants Ltd., Principal Savings and Trust Company, and Principal Group Ltd.", Province of British Columbia, October 14, 1987 (with Office summary) 130

Page

APPENDIX D - The Regulation of AIC Ltd. and FIC Ltd. by the B.C. Superintendent of Brokers (The Principal Group Investigation), Public Report No. 19, Office of the Ombudsman, British Columbia, September, 1989 130

APPENDIX E - Special Report on "The Regulation of FIC Ltd. and AIC Ltd. by the Saskatchewan Superintendent of Insurance (The Principal Investigation)", Ombudsman of Saskatchewan (with Office summary) 130

APPENDIX F - Report, "In the Matter of the Regulation of First Investors Corporation Ltd.", Office of the Ombudsman, Halifax, Nova Scotia, February, 1990 (with Office summary) 130

APPENDIX G - Principal Financial Group/C.B.A. New Brunswick Branch Investigation 131

APPENDIX H - Principal Financial Group - Legislative Background - Public Utilities Act 132

APPENDIX I - Principal Financial Group - Legislative Background - Sale of Securities Act, 1923; Security Frauds Prevention Act, 1935 135

APPENDIX J - Principal Financial Group - Legislative Background - Trust Companies Act; Trustees Act; Trust, Building and Loan Companies Licensing Act; and Loan and Trust Companies Act (1952-) 138

APPENDIX K - Principal Financial Group - Regulations, Orders-in-Council and other Statutory Documents .. 139

APPENDIX L - Principal Financial Group - Annual Reports - Public Utilities Board, Provincial Secretary, Department of Transportation 144

APPENDIX M - Principal Financial Group - Governmental Files - Office of the Administrator of the Securities Act 147

APPENDIX N - Principal Financial Group - Governmental Files - Office of the Administrator of the Securities Act (copies of documents destroyed by Administrator's Office and forwarded to the Ombudsman's Office by Mr. J. McNiven) 153

APPENDIX O - Principal Financial Group - Governmental Files - Department of Transportation 156

Page

APPENDIX P - Principal Financial Group - Governmental Files - Department of Justice, Director of Corporate and Trust Affairs 157

APPENDIX Q - Principal Financial Group - Governmental Files - Department of Justice, Assistant Deputy Minister 173

APPENDIX R - "A New Securities Act for New Brunswick", A Report prepared by Richard W. Bird for Law Reform Branch, Office of the Attorney General, Province of New Brunswick, January, 1990 182

APPENDIX S - N.B. Principal Group Investors Committee . 183

APPENDIX T - Principal Consultants Ltd. - Employee profiles and Affidavits 184

APPENDIX U - Office of the Ombudsman - File Documents . 185

APPENDIX V - Principal Group Investors - Office of the Ombudsman File 187

* The endnotes and appendices are part of this Report and are contained in separate documents.

Persons may inspect and make copies of excerpts from these documents upon reasonable request to the Office of the Ombudsman.

PART ONE

FINDINGS AND CONCLUSIONS

I. Introduction

In 1987, the Principal Group of Companies comprised over a dozen interconnected companies based in Alberta, including investment contract, trust, mutual fund, real estate, mortgage, management services, tax services and a variety of other enterprises. The Principal Group was substantially owned and controlled by the family of Mr. Donald M. Cormie. Two companies, First Investors Corporation Ltd. (FIC) and Associated Investors of Canada Ltd. (AIC) issued the investment contracts. A third company, Principal Consultants Ltd. (PCL) sold the investment contracts issued by FIC and AIC. They were the cornerstones and a major source of revenue for the Principal Group.

The investment contracts sold by FIC were virtually indistinguishable in the public mind from term deposits offered by banks and from guaranteed investment certificates issued by trust companies. They provided for a fixed rate of interest, usually low, and additional interest to be paid at the discretion of the seller during the life of the contract. However, since FIC was not a member of the Canada Deposit Insurance Corporation, they were not insured against loss. Rather, the company was required, under the Investment Contracts Act of Alberta and the 1960 Covenant with the Province of New Brunswick made pursuant to the Security Frauds Prevention Act, to maintain

assets in a Canadian bank or trust company sufficient to meet its obligations to contract holders. By the 1980s they were not in compliance with the Alberta Act nor with the 1960 Covenant.

FIC invested heavily in mortgages at a time when real estate values in Alberta were exceptionally high. When these values fell sharply in the 1980s, FIC became burdened with greatly devalued mortgages. By 1984, the company was insolvent. At the Principal Group's collapse in 1987, there were 67,000 individuals across Canada who held a total of nearly $500 million in its investment contracts. Among this group, approximately 3,252 New Brunswick residents had purchased approximately $15,000,000 in FIC investment contracts.

The Province of Alberta was aware of this situation as early as 1984, but it permitted FIC to remain in business until June, 1987, when FIC's Alberta licences were finally revoked. The Code Inquiry into the collapse of the Principal Group concluded that both Principal management and the Alberta Government bore some responsibility. It found that the Government had permitted Principal to continue operating when there was clear evidence that it was in financial difficulty. On receiving the Report of the Code Inquiry, the Government of Alberta reversed its original position and accepted some responsibility. Alberta's offer, combined with that of FIC's judicially appointed representative, compensated all investment contract holders up to 75 per cent of

their investment. The Alberta offer, which totalled $67,000,000, was made on the condition that additional compensation from other provinces would be pooled and shared equally by all investors. The Government of British Columbia, acting on the recommendation of the Office of the Ombudsman for that Province, also reversed its original position, agreed to compensate British Columbia investors up to a total of 90 percent of their purchases ($25,000,000) and to participate in a pooling arrangement with Alberta.

On February 16, 1990, the Nova Scotia Government, which until then had rejected the Province's 5,700 FIC and AIC investment contract holders' claims for compensation, accepted the Nova Scotia Ombudsman's recommendation and agreed to compensate the Nova Scotia investment contract holders under the pooling arrangement ($3,856,000).

On November 14, 1989, the New Brunswick Principal Group Investors Committee (the Committee) petitioned this Office under section 12 of the Ombudsman Act. The complainant, which had previously been accorded official recognition by the Government of New Brunswick,1 complained on behalf of an estimated 3,252 New Brunswick residents who were holders of investment contracts issued by FIC.2 The complainant petitioned this Office:

> to investigate a decision or decisions or recommendation or recommendations made, or

> act or acts done or omitted or a procedure or procedures used with respect to a matter of administration by an authority or any officer thereof, of the Security Frauds Prevention Act or of any other law of New Brunswick, whereby the sale of First Investors Corporation Limited investment contracts to residents of New Brunswick was permitted prior to June 30, 1987.

In its petition, the Committee stated that the holders of FIC investment contracts were persons aggrieved within the meaning of the Ombudsman Act and that they had collectively suffered a financial loss of approximately 3.7 million dollars "as a result of ... decisions, recommendations, acts, omissions, or procedures ..." of the Government of New Brunswick.

In addition to the complaint submitted by the Committee, this Office has subsequently received a number of complaints from individual FIC investment contract holders.

The records of FIC indicate that on June 30, 1987, a total of 3,252 investors held 4,122 certificates having an amount owing under them of $14,740,948.3 In common with investors elsewhere, the majority of FIC investment contract purchasers were people of modest means, many of them senior citizens who had been assured by FIC that the contracts were a safe investment providing secure retirement income.4

II. Procedure on Investigation

This Office has conducted its investigation of the complaint in the same manner as other Office investigations. This work has included the following steps: correspondence and meetings with the complainants; correspondence with the Deputy Ministers of Justice and Transportation; meetings with an Assistant Deputy Minister of Justice, the Director of Corporate and Trust Affairs and the Superintendent of Insurance of the Department of Justice; meetings with the Administrator of the Securities Act, the Chairman of the Public Utilities Board and the former Acting Administrator of the Securities Act; telephone conferences with the former Administrator of the Securities Act and the Executive Director of Administration and Policy with the Department of Transportation; meetings with former New Brunswick employees of Principal Consultants Limited; including the two Account Executives, the District Manager and the Fredericton and Moncton Office Managers; meetings and telephone conferences with the other Canadian Ombudsman offices that have investigated the Principal collapse (British Columbia, Alberta, Saskatchewan, Nova Scotia and Newfoundland); a detailed examination of governmental files relevant to the complaint, including those of the Administrator of the Securities Act, the Director of Corporate and Trust Affairs with the Department of Justice, the Assistant Deputy Minister of Justice, the Deputy Minister of Transportation, as well as duplicates of documents destroyed by the New Brunswick Securities Administrator's office (obtained

from the Province of Alberta); and detailed historical and legal research of issues relevant to the complaint.

At the conclusion of its investigation, the Office submitted a "Draft Report Respecting the Regulation of First Investors Corporation Ltd. by The Province of New Brunswick" to the New Brunswick government. The Office subsequently received written responses from and/or held discussions with the Deputy Ministers of Justice and Transportation, the Secretary of the Board of Management, the Chairman of the Public Utilities Board, the Provincial Archivist, the present and former Administrators of the Securities Act and the former Acting Administrator of the Securities Act; the Director of Corporate and Trust Affairs of the Department of Justice; the Executive Director of Treasury and Debt Management of the Department of Finance; a former Acting Minister of Finance and a former administrative staff member of the Public Utilities Board. The Office also received and examined approximately two dozen additional files from the Department of Justice.

All work associated with this investigation has been completed within the Office's existing resources.*

---

* [It must also be borne in mind that this investigation could not have been completed within the normal working hours of this Office. The completion of this Report by

The level of cooperation extended to this Office in its investigation has been adequate.

III. Findings

1. The duty of the Government of New Brunswick to protect the purchasers of investment contracts was embodied in New Brunswick's first securities legislation in 1923 and has been continuously included in New Brunswick's securities legislation up to the present date. (see Part Two)

2. The Legislative Assembly of New Brunswick, through the enactment and subsequent amendments to the Sale of Securities Act 1923 and the Security Frauds Prevention Act 1935 (Securities Act), and its subsequent re-enactments in 1952 and 1973, has imposed continuously higher standards of consumer protection on the public officials charged with the administration of New Brunswick's securities legislation. (see Part Two)

3. New Brunswick's securities legislation has continuously permitted the flexible enforcement of its provisions by the

---

the Office's Solicitor, Mr. Charles Ferris, its two Students-at-Law, Mr. Kenneth LeBlanc and Mr. Patrick Clement, and the Office's Bilingual Secretary, Ms. Jeanne Badeau, has required a considerable voluntary commitment of time.]

conferral of broad discretionary powers on the Public Utilities Board and the Administrator of the Securities Act. A signal example of this flexibility is the 1960 Covenant entered into between the Province of New Brunswick and FIC. (see Part Two)

4. New Brunswick's securities legislation has addressed the sometimes conflicting objectives of public scrutiny and economy by providing for the investigation of any applicant or registered company or person at the expense of that company or person, including the utilization of accounting expertise at no expense to the Government of New Brunswick. (see Part Two)

5. The Province of New Brunswick expressly recognized the unique characteristics of investment contract regulation and the need for intimate governmental knowledge of the mechanics of such securities by its full participation in the 1969 Federal/Provincial Report on Mutual Funds and Investment Contracts that included the Province's salaried participation by Mr. Kenneth P. Lawton, Q.C. (see Part Two)

6. The Province of New Brunswick has continuously required that the office of the Administrator of the Securities Act be staffed by senior public officials physically located in the City of Saint John. (see Part Two)

7. The period from 1984 to 1987 has been identified as a period throughout which the financial records of FIC reveal that it was in an insolvent position. The public record also indicates that the majority of investment contracts outstanding on June 30, 1987 were single pay instruments purchased after 1984. The public record also discloses that these investment contract purchasers, including the complainants, would not have suffered financial loss had the requirements of Alberta's Investment Contracts Act been enforced in New Brunswick in 1984 and subsequent years, pursuant to the N.B. Securities Act and the 1960 Covenant. (see Part Three)

8. The Covenant entered into between FIC and the Administrator of the Securities Act in 1960 was no longer being enforced during the period 1984-1987. Specifically, the Administrator's office was no longer enforcing the following conditions imposed upon FIC by the 1960 Covenant:

   a) compliance by the company with the Alberta Investment Contracts Act, including the requirement that it maintain assets in a Canadian bank or trust company sufficient to meet its obligations to contract holders;

   b) the filing of quarterly statements of the company;

c) the filing of the balance sheet and profit and loss statements of the company;

d) the filing of the prospectuses of the company; and

e) the administration of the 60-day "cooling off" period for the rescission of an investment contract between the company and a purchaser (complementary to s. 16 of the N.B. Securities Act). (see Part Three)

9. The governmental authorities charged with the administration of the Securities Act during at least the period 1984 to 1987 abdicated their responsibilities under the Securities Act by their reliance on National Policy No. 1. Although these authorities may have been aware of the prerequisites of investment contract regulation, they erroneously relied completely and unequivocally on the Government of Alberta to regulate FIC. The Acting Administrator during the relevant period frankly stated that he had no knowledge or awareness of the Alberta Investment Contracts Act and also relied totally on the Government of Alberta for the regulation of FIC. The statutorily unauthorized destruction of files by governmental authorities may have contributed to such lack of knowledge. (see Part Three)

10. One of the governmental authorities charged with the administration of the Securities Act during at least the period from 1984 to 1987 cited a lack of resources as a basis for the non-regulation of companies that were subject to the Securities Act. While no conclusion is made with respect to the adequacy of resources of the Administrator's office, it is found that no formal request for additional resources was made to the Board of Management during this period. Moreover, neither the Administrator nor the Acting Administrator during the relevant period utilized the substantially self-financing regulatory mechanisms provided under the Securities Act. (see Part Three)

11. One of the governmental authorities responsible for the administration of the Securities Act during at least the period from 1984 to 1987 - the Department of Transportation - lacked any expertise to guide the Administrator's office. (see Part Three)

12. During at least the period from 1984 to 1987, the organizational prerequisites of the Administrator's office were chaotic. The persons who actually administered the Securities Act were concurrently executing Public Utilities Board functions that were not congruent with their duties under the Securities Act. (see Part Three)

13. The registration/certification situation pertaining to FIC during the period from 1984 to 1987 resulted primarily from error and lack of knowledge by governmental authorities. FIC had been issued a security issuer and broker (non-brokerage) registration under the terms of the 1960 Covenant. This registration was continuously renewed until February 1, 1987. On that date, a governmental authority incorrectly advised FIC that it did not require a security issuer registration. (see Part Three)

14. The failure to register correctly PCL in New Brunswick during the period from 1984 to 1987 was primarily the result of an error or omission on the part of governmental authorities. In its 1984 renewal application, PCL had specifically indicated to the Administrator that the purpose of the application was to obtain a broker (general) registration. However, the broker registration subsequently issued to it was incorrectly restricted to the sale of mutual funds. (see Part Three)

15. The sale of FIC investment contracts by the manager of the Principal Group's Moncton office was allowed to continue through error or omission on the part of governmental authorities. This manager, referred to by the company's District Manager as its leading investment contract salesperson during the busiest sales period (February-March,

1987) of FIC, sold investment contracts without a salesman's license between October 31, 1986 and March 3, 1987. (see Part Three)

16. The complainants are predominently elderly and substantially financially dependent on the retirement income they earned from investment contracts sold by FIC. The complainants were not speculators. Rather, they have been accurately described as depositors in what they had legitimate reason to expect, by the governmentally-imposed financial protections of their investment contracts, was a financially responsible and competently regulated financial institution.

IV. Conclusions

Section 21(1) of the Ombudsman Act states that:

> 21(1) Where upon investigation the Ombudsman is of the opinion that a grievance exists or may exist because
>
> (a) a decision, recommendation, act or omission or procedure used that was the subject matter of the investigation was
>
> (i) contrary to law,
> (ii) unreasonable, unjust, oppressive or improperly discriminatory,
> (iii) made, done or omitted pursuant to a statutory provision or other rule of law or practice that is

unreasonable, unjust, oppressive or improperly discriminatory,

(iv) based in whole or in part on a mistake of law or fact or on irrelevant grounds or considerations,

(v) related to the application of arbitrary, unreasonable or unfair procedures, or

(vi) otherwise wrong,

(b) in doing or omitting an act or in making or acting on a decision or recommendation, an authority

(i) did so for an improper purpose,

(ii) failed to give adequate and appropriate reasons in relation to the nature of the matter, or

(iii) was negligent or acted improperly, or

(c) there was unreasonable delay in dealing with the subject matter of the investigation,

and the Ombudsman is of the opinion that

(d) the grievance should be referred to the appropriate authority for further consideration,

(e) an act should be remedied,

(f) an omission or delay should be rectified,

(g) a decision or recommendation should be cancelled or varied,

(h) reasons should be given,

(i) a practice, procedure or course of conduct should be altered,

(j) an enactment or other rule of law should be reconsidered, or

(k) any other steps should be taken,

the Ombudsman shall report his opinion, his reasons therefor and any recommendation to the administrative head of the authority concerned.

In the context of this complaint, a recommendation by this Office would be in order if, based on the findings established by its investigation, this Office concluded that the Province of New Brunswick was negligent in its regulation of FIC and if it concluded that such negligence has directly led to sustained losses by the investors who have complained to this Office.

Based on the findings set out above, it is concluded that the Province of New Brunswick was negligent in its regulation of FIC and that this negligence has directly led to sustained losses by those New Brunswickers who purchased investment contracts from FIC.

In arriving at its conclusions, this Office has endeavoured to address certain statements proffered by officials of the Province of New Brunswick to explain why it did not act to

protect investors from financial loss in the collapse of FIC. This Report does not adopt these explanations. In 1980, the Deputy Minister of Justice disparagingly characterized New Brunswick's securities administration as "a mere registry". In the case of the Province's administration of the Security Frauds Prevention Act (Securities Act) in relation to FIC, it is found that the Administrator's office failed to maintain even this statutorily unacceptable standard. In the result, the company drifted essentially unregulated in the 1980's, and such regulation as did occur was inadequate and ineffective.

In making a finding that the Province of New Brunswick was "negligent" within the meaning of s. 21 of the Ombudsman Act, the Report adopts the conclusion reached by the British Columbia Ombudsman, namely, that the authority to make such a finding "is independent of the existence of a private law remedy through the courts":

> The strict legal principles by which the courts determine the liability of public officials for the consequences of their negligence are complex and uncertain. While a strong legal argument can be made out that government, because of the administrative negligence of its officials, is legally liable to the investors for their losses in this case, such liability is not certain and would only be settled by a decision of the Supreme Court of Canada, which would take many years at vast public and private expense. In addition, whatever the ultimate court decision might be, it would not lessen for the investors the years of financial

uncertainty already suffered or the degree of administrative negligence identified in this report.

In many situations, the law does not apply to the actions of public administrators in the same manner as it applies to those of private citizens. The Law Reform Commission of Canada has recently commented on this dilemma:

> Concepts and principles which are appropriate to private law are often ill-suited to deal with problems arising in the public law context. Tort liability of the Crown, for instance, is addressed in the same terms as are used to determine liability between private parties. The use of private law offers many opportunities for the State to escape liability which we might, as a matter of public policy, want it to bear.
>
> As well, given the fundamental economic inequality between the parties and the extraordinary procedural privileges enjoyed by the Administration, the procedure which governs curial [court] proceedings in contentious matters is manifestly ill-adapted to the special nature of litigation between the individual and the Administration.
> One non-curial external control could be provided by ombudsmen... This institution is non-adversarial in nature and exemplifies the diverse avenues of redress for individuals, which, although non-judicial, can and do enjoy a high degree of independence.

Like the Supreme Court of Canada, the Law Reform Commission points out the effectiveness of an Ombudsman office in identifying error and resulting harm and in

> recommending a remedy in situations where there may simply never be a fair judicial resolution of the harm caused by bureaucratic error.
>
> The fact that the application of strict legal principles and processes may not provide a remedy in all cases does not mean that government can ignore its responsibility to remedy the consequences of the negligence of its own officials. It has a duty to treat people fairly, not simply to meet technical legal standards, and when individuals have been harmed through the clear failure of public officials to act reasonably in their administrative duties, government should act quickly to remedy that harm.5

This report finds fault on the part of the Province of New Brunswick and recommends the payment of compensation to those New Brunswickers who purchased investment contracts from FIC. In making this finding and recommendation, it is noted that the Principal Group of Companies, per its various judicially-appointed representatives, and the Province of Alberta, have accepted a measure of responsibility for the collapse of FIC and have paid compensation to FIC investment contract purchasers. Thus, the findings and recommendations with respect to the responsibility of the Province of New Brunswick relate to only a sharing of the responsibility and the obligation to partially contribute to the compensation of FIC investment contract purchasers. Although this report finds that the Province of New Brunswick's responsibility is substantial, the Province's implementation of this Office's recommendation would place the

Province in the position of bearing the lightest financial burden for the Principal collapse; i.e. after the Principal Group of Companies, the Province of Alberta and the FIC investment contract holders. The reason for this limitation is that, while no finding of investment contract holder responsibility is made, one concludes that the pooling arrangement represents a reasonable limit on the extent of responsibility of the New Brunswick government.

V. Recommendations

1. It is recommended that the Province of New Brunswick compensate the holders of FIC investment contracts purchased in New Brunswick in an amount which, together with compensation already offered by the Province of Alberta, British Columbia and Nova Scotia and the share of proceeds from the sale of assets, is not less than the compensation to be received by holders of contracts purchased in the Province of Alberta.

2. It is recommended that the Province of New Brunswick, in cooperation with the Provinces of Alberta, British Columbia, Nova Scotia, Saskatchewan, and Newfoundland and, if appropriate, the federal Government, endeavour to enable the holders of FIC investment contracts purchased in New

Brunswick to obtain a full measure of compensation for their financial losses.

Joseph E. Bérubé
Ombudsman
May 24,1991

PART TWO

THE LEGISLATIVE AND ADMINISTRATIVE HISTORY OF NEW BRUNSWICK SECURITIES LEGISLATION

"The primary purpose of this Act is the protection of investors."

[N.B. Department of Justice "Examination of the Administration of the Security Frauds Prevention Act and the Corporation Securities Registration Act". June, 1985]

I. Introduction

An investigation of the role of New Brunswick's securities regulators in the failure of FIC requires an examination of the legislative framework within which the regulators operated. The history and administration of securities legislation in New Brunswick demonstrate that investment contracts have been - and continue to be - defined as a "security" and regulated under the Province's securities statutes since the first securities legislation was passed in New Brunswick.

The first New Brunswick statute regulating securities, the Sale of Securities Act, was passed in 1923. This Act specifically included investment contracts in its definition of a "security". The Act provided for the registration of securities, brokers, and their salesmen and agents. It also permitted the Public Utilities Board (the Board) to investigate any broker at the expense of the

broker in question. From the beginning, the Board played a significant role in the administration of the Act. The Board was based in Saint John, which was appropriate because it was there that the bulk of New Brunswick's securities-related activity occurred.

In 1935, the Sale of Securities Act was replaced by the Security Frauds Prevention Act (Securities Act). The new Act addressed the problems arising from the proliferation of securities salesmen in New Brunswick in the 1930s and the accompanying need for more stringent public protection. To this end, the Board was accorded expanded investigatory powers and the authority to appoint professional accountants at a broker's expense to serve as broker's auditors. A broker's auditor was permitted access to all financial documentation required to prepare a report on a broker's financial affairs. The Board had the power to compel a broker to comply with recommendations contained in such a report. The 1935 Act also provided for the appointment of the Board's Secretary to act as Registrar. The Registrar's duty was to receive and scrutinize applications for registration to sell securities in the Province. The government conferred broad data-gathering powers on the Registrar, including the authority to demand additional financial information where deemed necessary.

Subsequent amendments to the 1935 Act have broadened its reach by expanding the powers of the Registrar and the Board, by placing many of their respective powers in the Administrator, by enlarging the prospectus requirements and by requiring more open disclosure to investors. These amendments, which have followed the lead of changes occurring in other Canadian provinces, have continuously included investment contracts within the scope of the Securities Act.

In 1978, the administrative responsibility for the Administrator's office and the Public Utilities Board passed from the Provincial Secretary to the Minister of Transportation. At the time of the transfer, proposals had been made to give the Department of Justice responsibility for the Securities Act. The Department of Justice was initially reluctant to accept such a transfer for two reasons: it believed that it ought to receive additional resources from the Department of Transportation in order to supervise the Act and it did not want the potentially conflicting responsibilities of enforcing and administering the same Act. At least as early as 1980, the Department of Justice changed its position and actively sought to incorporate securities legislation within its functions. In 1982 and 1985, amendments to the Act would have transferred the administration of the Act from the Minister of Transportation to the Department of Justice. However, the amendments necessary to transfer the

administration of the Securities Act to the Department of Justice were not proclaimed until 1989.

II. Securities and Investment Contracts in Canada

The most comprehensive definition of a "security" is "an investment in a financial interest that it represents". Securities include many types of financial instruments such as stocks, bonds, debentures, trust certificates, and investment contracts.6

One definition of investment contract is complementary to that of a security: "(1) an investment of money, (2) in a common enterprise, with (3) an expectation of profits solely from the efforts of others".7 The 1969 Federal-Provincial Report on Mutual Funds and Investment Contracts offered a more specific definition of an investment contract. The Report defined an investment contract as a debt instrument distinguishable from other financial instruments in that it contained optional settlement clauses, thus making it adaptable to the needs of investors. Optional settlement clauses permitted investors "to apply the money at maturity to another long-term investment", an annuity for example.8

The Investment Contracts Acts of Alberta, Ontario, Saskatchewan, British Columbia, Manitoba, and Newfoundland set out identical definitions of an investment contract. To be an

investment contract, a financial instrument was required to provide for the payment of a determinate amount in cash or its equivalent on a fixed date. It was also required to contain a clause allowing an optional settlement, cash surrender, or loan values before or after maturity. The consideration moving from the holder of the investment contract, depending on the terms, could consist of payments made on an installment basis or a single sum payment.9

The Quebec Securities Act, R.S.Q. 1977, c. V-1.1, s. 1, sets out a broader definition of what constitutes an investment contract. A person must enter into a contract with the expectation of profits. The contract requires this person to participate in the risk of a venture through a contribution of capital or a loan. The Act's definition of investment contract also requires that this person not have the necessary knowledge to carry out the venture nor have the right to participate directly in decisions concerning the carrying out of the venture.

While New Brunswick's securities legislation has defined securities to include investment contracts since 1923, no New Brunswick statute or regulation has ever defined what constitutes an investment contract. This factor presents a difficulty in trying to discern whether 'investment contract' is to be defined in broad or narrow terms in the New Brunswick context. The Code Report recognized that single payment term certificates without

provision for optional settlements, cash surrender, or loan values did not qualify as investment contracts under the Alberta Investment Contracts Act, and therefore should not have been regulated as such.10 Under the Quebec Securities Act, such provisions were not required to bring a financial instrument within the definition of an investment contract.11

One may conclude that since the alternative to regulation by an Investment Contracts Act is regulation by a securities act and, since New Brunswick only had the Securities Act, FIC was regulated pursuant to it. This is the same course followed by other jurisdictions which lacked an Investment Contracts Act.12

III. Sale of Securities Act, 1923

As mentioned in the Introduction, and now by way of more detail, the history of securities legislation in New Brunswick began in 1923 with the passage of the Sale of Securities Act, S.N.B. 1923, c. 19. This legislation followed the lead of other provinces, including Manitoba, which passed a similar act in 1912. The central purpose of the New Brunswick Act was to license and regulate issuers, brokers, agents, and other sellers of securities.13 The Act was passed in response to fears that unscrupulous operators would prey on the Province's unsuspecting investors.14

The Board of Public Utilities Commissioners (the 'Public Utilities Board' or 'Board') was vested with the administration of the Sale of Securities Act. The Board, created in 1910 under the authority of the Board of Public Utilities Commissioners Act, S.N.B. 1910, c. 5 (Public Utilities Act), had its headquarters in Saint John. The purpose of the Public Utilities Act and the Board was "to safeguard the public interest and to enable those not satisfied with the rates and services of any Public Utility to appeal to some tribunal". The Act defined public utilities as "corporations and municipalities operating telephones, heat, light, water, and other public services". The Board, originally consisting of a Chairman, three members and a clerk, had the power to regulate charges and services offered by the corporations regulated under the Public Utilities Act.15 The 1910 Act creating the Board was closely modelled on an earlier Nova Scotia Act.16 A year later, when amendments were made to the Act to expand the Board's powers, the provisions were adopted from New York and Quebec statutes.17

Since Saint John was the center for securities-related activity in New Brunswick, the city probably was regarded as the most appropriate locale from which to regulate the securities industry. Of the six brokers' licenses issued to New Brunswick brokers in 1923-24, three were held by Saint John-based firms. Saint John brokers received 12 of the 22 broker's licenses issued to New Brunswick firms in 1933-34, and in 1949, the last year for

which the Board's Annual Reports list the respective addresses of brokers, 10 of the 15 licenses issued to New Brunswick brokers went to Saint John concerns. In 1948, 47 licensed salesmen listed their addresses as Saint John, with only 21 residing elsewhere in the Province.18

The Sale of Securities Act defined a "security" as "any share, stock, bond, debenture, debenture stock, investment contract, certificate or other evidence of an interest in the property or undertaking of the issuer".19 Subject to section 3, section 4 of the Act prohibited any company from selling securities in New Brunswick without first obtaining from the Board a certificate approving such sales. Section 3 exempted the Act from applying to the sale of securities of various entities, including the Dominion government, provincial governments and municipalities. As well, the certification requirement did not apply to securities sold or listed on any Board-approved stock exchange.20

A company making an application to sell securities in New Brunswick was required under section 7 to submit to the Board a number of documents. These documents included a detailed plan of operation for the company and an itemized account of its financial condition. If the Board was satisfied as to the applicant's proposed plan of operation and financial viability, it could issue a license to the applicant permitting it to do

business in the Province. The applicant was prohibited from conducting business on any terms other than those specified in the documents required to be filed with the Board.21 Section 19 of the Act gave the Board the authority to grant licenses to the agents and salesmen employed by these companies. These registration and licensing provisions have been retained in subsequent securities legislation.22

The Board was also empowered to revoke a company's license for unsafe or unauthorized conduct opposed either to the interests of its shareholders or the public in general. In such a case the Board, under section 15, could apply to a judge of the New Brunswick Supreme Court for the appointment of a receiver for the company. Section 15 permitted the Board to exercise the same powers when the Board considered that a company's assets were not sufficient to meet its liabilities.23

Section 14 provided that every company "in respect of matters within the jurisdiction of the legislature of this Province" was subject to investigation by the Board whenever the Board deemed it advisable. Any company under investigation was required to pay the costs of the investigation. A failure or refusal to pay these costs operated as a revocation of the company's license to operate in New Brunswick. The Board could recover the costs of such an investigation in an action before the provincial Supreme Court.24

The Sale of Securities Act placed a number of duties on brokers in the Province, defined in the legislation as "any person, company or partnership, engaged in the business of dealing in securities". Among these duties was the requirement that brokers file weekly with the Board a list of securities that they were offering for sale. A broker also had to file with the Board three copies of a prospectus of any new issue to be offered for sale. The Board could demand additional information pertaining to securities and could prohibit any broker from selling any security. In performing these and other duties under the Act, the Board could incur no liability and no action could be brought against the Board or any of its members without the permission of the provincial Attorney General.25

Section 22 declared any contravention of the Act to be an offence punishable on summary conviction. Anyone convicted of violating the Act was liable to a fine not exceeding $500 or imprisonment for a term not exceeding six months. A convicted person who failed to pay a fine was liable to imprisonment for not more than six months.26

After the passage of the Sale of Securities Act in 1923, its administration began to occupy a large part of the Board's work.27 On the day the Act came into force, June 1, 1923, the Board received 18 applications for annual brokers' licenses, all of which were granted. Applicants applying for annual

certificates to sell shares and bonds numbered ten in the same year. In its Report for the year ending April 30, 1924, the Board's first under the Sale of Securities Act, a reference was made to applicants who failed to receive broker's licenses and certificates. It was noted that the Board felt that no useful purpose would be served in publishing the names of these applicants and the reasons for refusal in the Report.28

The administration of the Act brought in some revenue to the Province. Section 7 allowed for a fee to be charged to companies seeking registration in New Brunswick. Section 20 required brokers, agents and salesmen to pay fees for their licenses and certificates. These fees were payable to the Provincial Treasurer and were fixed by minutes- or orders-in-council. In 1923, companies and brokers each paid an annual fee of $15 while agents paid an annual fee of $5.29 According to the Board's 1923 Annual Report, $420 was received from the granting of 28 certificates to companies and brokers. There is no list of agent's licenses granted in the year; thus, it is impossible to determine from the Report how much was collected from them.30

While the provincial government obtained the advantage of collecting fees through the administration of the Sale of Securities Act, the various public utilities in the Province were required to pay the salaries and expenses associated with the Public Utilities Board's activities. This requirement

appeared in the Public Utilities Act of 1910 and has been retained (supplemented by a governmental financial contribution) through its several versions to the present day. The Lieutenant-Governor in Council determined the salaries and expenses of the Board's various members, to which public utilities contributed in proportion to their gross earnings.31

Before 1935, the Sale of Securities Act underwent three amendments. The most significant of these amendments was in 1931, when the onus was placed on an accused to prove he/she held a valid license in a prosecution for an offence under the Act relating to doing any act without a license.32 While few changes were made to the Act during the period from 1923 to 1935, the number of licenses and certificates issued each year steadily increased. In 1935, the Board granted 34 brokers' licenses and 106 agents' licenses.33

IV. Security Frauds Prevention Act, 1935 (Securities Act)

In 1935, New Brunswick adopted the Security Frauds Prevention Act, S.N.B. 1935, c. 11, (Securities Act) to replace the Sale of Securities Act. The 1935 legislation, which followed the model 1928 Ontario Act, differed from the previous legislation in that it prohibited brokers and salesmen from trading in securities without first registering with the Registrar designated under the Act. The classes of financial instruments defined as securities, including investment

contracts, remained essentially unchanged from the 1923 legislation. The new Act set out broad definitions of fraud and trading and expanded the Board's supervisory authority over the securities industry.34

The Securities Act addressed particularly the problem of the proliferation of salesmen "who went out through the country using every effort to sell securities or goods without a connection with a brokerage house or being licensed". The desperate economic conditions associated with the Depression probably made this problem with "high pressure salesmen" more acute. The hope of New Brunswick legislators was that the new Act, with its broader powers for the Board, would reduce the potential for such abuses.35

The Sale of Securities Act had defined neither fraud nor trading. The 1935 Act defined fraud, fraudulent, and fraudulent acts to include such meanings as any intentional misrepresentation, any promise or representation made beyond reasonable expectation and not in good faith, and garnering or attempting to garner an unconscionable and unreasonable profit or commission through a trade in any security. Trade or trading was defined to include any direct or indirect solicitation to deal in securities, whether the terms of payment were upon margin, instalment or any other basis.36 The regulations accompanying the

Act further defined trading to include dealing in securities as a floor trader on the floor of a stock exchange.37

As part of its expanded investigatory powers under the 1935 Act, the Board could appoint, as a broker's auditor, an accountant with at least five years' experience "to make any general or special audit or report upon the whole or any aspect of the business or affairs of any person or company". The Act specified that the person or company in question would have to bear the cost of any audit. A broker's auditor was entitled to full access to any information necessary for an investigation, including books of account, documents, correspondence and records of any description. A broker's auditor also had the power to examine under oath any person or officer of a company connected in any way with an investigation. The Board had the power to compel an audited business concern to comply with any recommendation rendered in an auditor's final report. A failure to comply with any of these provisions constituted an offence under the Act.38

A significant change made in 1935 was the appointment of the Secretary of the Public Utilities Board as Registrar under the Securities Act.39 The position of Secretary to the Board had first been created in 1927 to replace the position of Clerk. Essentially, the role of Clerk/Secretary before 1935 was to organize and coordinate the Board's activities.40

The Secretary's function as Registrar under the Securities Act was to receive applications for registration and to list them in a register. If it was deemed necessary, the Registrar could demand financial information from an applicant in addition to that required on the application form. An applicant was also required to provide a bond as the Registrar required. A bond was forfeited if, after being registered, the applicant committed any criminal offence or any fraudulent offence under the Act. The ultimate authority under the Act remained vested with the Board, but given its various other duties - e.g., the Board also served as the Motor Carrier Board commencing in 1936 - the position of Registrar was regarded as a means to scrutinize more closely the securities industry in New Brunswick.41

The Regulation made pursuant to the 1935 Act set out the procedure to register to sell securities in New Brunswick. The term non-brokerage or securities issuer applied to an organization trading in securities of its own issue and was distinguishable from a broker (general), which could trade in securities other than its own. The Regulation set out separate registration forms for broker (general), broker (non-brokerage or security issuer), salesman, and sub-agent as well as forms to accompany the posting of bonds. All brokerage registrations lapsed on October 31 of each year and each registered broker, salesman or sub-agent was required to apply for renewal on or before October 31. A non-brokerage registration expired one year

from the date of registration and had to be renewed 10 days before the expiry date. A registration fee applied to each form. A registered company or person was required to give the Registrar notice of any change in the information on the registration forms. The Regulation required that a printed list of all registered companies or persons, together with all suspensions and cancellations of registrations, be published in the Royal Gazette every six months, or more often if necessary in the Registrar's discretion. The registration process, with its brokerage - non-brokerage distinction, has generally remained the same up to the present.42

The Securities Act recognized that the securities industry had grown too large and complex to regulate properly without a division and specialization of functions. With this growth had come the increased need for consumer protection through public scrutiny. To meet this objective, the Act devolved responsibility from the Board to the Registrar and broker's auditors, the Board continuing to retain the ultimate statutory authority. Through such a devolution of responsibility, the Legislature sought to make the scrutiny of securities trading more efficient and to facilitate the use of expert knowledge in any examination of a person or company under suspicion of having violated the Act.

V. Changes to the Securities Act

In the context of this Report, it is important to note that the Securities Act has continuously encompassed the regulation of investment contracts.43

During the two decades following the passage of the 1935 Act, amendments were made to expand the powers of the Chairman of the Board and the Registrar under the Act. The purpose of these amendments was to facilitate the management of relatively minor matters arising periodically when it was difficult to gather the entire Board together.44 In 1936, an amendment to the Act permitted the Lieutenant-Governor in Council to vest the Chairman with all the powers of the Board under the Act.45 In 1954, the same powers could be vested with the Registrar.46

The phrase "primary distribution to the public" was introduced in the version of the Securities Act enacted as part of the 1952 Revised Statutes of New Brunswick. This phrase referred to a trade in securities not previously available to the public or securities which, although previously distributed to the public, were being distributed in a manner which would materially affect control of the company issuing the securities. A person or company seeking to engage in a primary distribution to the public of any security required the Board's approval before doing so.47 Pursuant to section 13(3) of the Act, that person or company was required to file with the Board a full

detail of the plan to transact business, a copy of all contracts proposed to be made to sell securities, and an itemized account of its financial condition with its assets and liabilities. The Board had the power to determine whether any trade in securities constituted a primary distribution to the public.48

It also had the discretion under section 13(8) of the 1952 Act to modify the requirements of section 13(3) for any person or company which had filed copies of a prospectus, circular or information relating to the sale of securities or fraud prevention with any Canadian provincial or federal authority or American state or federal authority. Under sections 9(1) and 14(6) respectively, the Board had the further discretion to require from an applicant any further information or material deemed necessary and the discretion to renew a registration on its own terms and conditions for a period not exceeding one year.49

Relying on the discretionary authority contained in these provisions, the Government of New Brunswick made a Covenant with First Investors Corporation Ltd. (FIC) of Alberta in 1960. Mr. Kenneth P. Lawton, Q.C., who was named the Administrator of the Securities Act in 1960, represented the New Brunswick government in this undertaking. The Covenant imposed a number of conditions on FIC, including the requirements that: FIC would comply with the Alberta Investment Contracts Act; that FIC's license would

expire if it failed to be qualified under the Alberta Investment Contracts Act; that the company would file with the Administrator the quarterly statements, the balance sheet, and the profit and loss statements required to be filed under the Alberta Investment Contracts Act; and that an investor in FIC investment contracts had a right to cancel a contract within 60 days after entering into such a contract.50

In 1955, the Securities Act was amended to adopt the prospectus requirements that Ontario had enacted in its 1945 securities legislation and which the federal government had recommended be included in other provincial securities statutes. Some of these requirements had already been included in the 1953 Regulations under the Act.51 The purpose of the 1953 and 1955 revised prospectus requirements was "to provide full, true and plain disclosure about the securities offered and to ensure the investor was aware of this information". Further amendments made in 1955 empowered the Board to order a halt to the distribution of shares to the public when it believed that the company in question had engaged in fraudulent or otherwise improper actions.52

Amendments in 1957 changed the name of the Registrar's title to Administrator and provided for a reference from the Administrator or an appeal from an applicant to the Board, the decision of which was final.53

This amendment replaced most of the Board's substantive powers in the Administrator by charging the Board's Secretary with the function of Administrator of the Securities Act, including the duties of Registrar. To achieve this objective, the amending Act provided that, with the exception of the Board's referral and appellate functions, statutory references to it were deemed to be references to the "Administrator". Although some have viewed this amendment as a significant change of administrative direction, one must weigh its import in light of the explanation given by the responsible minister to the Legislature in 1957. The Hon. D. D. Patterson, the Provincial Secretary and, coincidentally, a senior stockbroker, stated that:

> Actually, there was no change in policy with this amendment. It was just officially putting the name or title of Administrator for the present Secretary of the Board of Commissioners of Public Utilities, who was doing the work.

In 1960, the Administrator and the Board were given an absolute discretion to refuse to grant a certificate.54 Changes made in 1961 gave the Administrator ("the Board or its designate") the power of search and seizure of a person's or company's premises and documents. These powers could be exercised without a warrant and authorized forcible entry if necessary. These changes added strength to what previously had been a more limited right of access to information relating to an

investigation. Further amendments provided for the appointment of a Deputy Administrator and a definition of promissory notes, which had not previously been defined in New Brunswick securities legislation.55

The 1961 amendments were enacted in response to a report submitted the previous year by Mr. [now Mr. Justice] David M. Dickson.56 Following the 1960 change in government, Premier Louis Robichaud appointed Mr. Dickson, a Fredericton lawyer, as Acting Administrator under the Securities Act to investigate the stock-selling and promotional activities of a number of companies located in the Saint John area. The firms in question operated in a similar manner: they used high pressure, or "boiler-house", tactics via telephone and circulars to attract investment in stock whose stated price was much in excess of its true value. Their tactics were aimed primarily at investors in the United States.57 One company, Canam Investments Ltd., earned a net profit of more than $1.3 million in less than two and one-half years of operation.58 The activities in question reportedly had been on-going since 1957.59

In his Report, Mr. Dickson was critical of the former government and former members of the Public Utilities Board. He charged them with interfering with the activities of the former Administrator, Mr. G. Earle Logan, while the fraudulent operations were being carried out. The Board, apparently in

concert with the Attorney-General's Office, awarded licenses to the companies involved.60 The Board approved the licenses even though it had received information from Ontario and Quebec securities authorities detailing past fraudulent activities of these companies.61 Mr. Dickson suggested that the former government hoped to derive political benefit "from a 'show' of industrial expansion and activity" in New Brunswick.62

The Report concluded that lack of proper enforcement of the Securities Act was the major reason that fraudulent activities were carried out in New Brunswick. Mr. Dickson considered the Act itself generally adequate. But he recommended that New Brunswick authorities study securities legislation in other provinces to see how improvements could be made to it.63

Amendments made in 1963 were designed to ensure that purchasers had sufficient information regarding securities they might buy. When a vendor offered to engage with a purchaser in the primary distribution of a security,64 the vendor was required to send the purchaser a "concise statement of facts" which was acceptable to the Board. The information in the statement of facts was to be drawn from the prospectus, the latest financial statements, and a "fair and accurate report" on the vendor's property. The statement had to give notice that the vendor would deliver a copy of the prospectus to the purchaser on request. Once the sale was completed, the vendor had to deliver a written

confirmation of the sale and a prospectus to the purchaser. A failure on the vendor's part to comply with these conditions gave the purchaser the right of rescission of the contract for the sale of the securities. In any action for rescission, the onus of proving compliance with the Act fell to the vendor.65

In 1965, amendments established that companies operating under such statutes as the federal Bank Act and the Industrial Development Bank Act, and the provincial Trust, Building and Loan Companies Licensing Act did not have to be registered under the Securities Act. Nor was registration required when shares were issued for such purposes as payment of a stock dividend or as incidental to a bona fide reorganization or winding up of a company where a commission was paid. A further amendment gave the Administrator ("the Board") the discretionary power to circumscribe the ability of any registered person or company to call at or telephone any residence for the purpose of selling securities. These amendments corresponded to those made to the securities legislation of other provinces.66

Also in 1965, an amendment allowed for the Act to be formally cited as either the Security Frauds Prevention Act or the Securities Act. The adoption of the latter name affirmed the true nature of the Act: that its scope went beyond the prevention of fraud to provide for broad consumer protection by the registration and control of brokers and salesmen and their

securities trading operations.67 As characterized by the Department of Justice in its June, 1985, "Examination of the Security Frauds Prevention Act ...", "the primary purpose of this Act is the protection of investors."

In the 1960s, securities regulators in Canada recognized that securities legislation required reform to keep pace with the growth of the securities industry. To this end, the federal government and the ten provinces formed the Committee on Mutual Funds and Investment Contracts. The membership of the Committee included Mr. Kenneth P. Lawton, Q.C., the New Brunswick Securities Administrator.68 Mr. Lawton was granted a paid leave of absence from his New Brunswick post in 1967 to take part in the Committee's work.69

The Committee released its report in 1969. Its main recommendations were for legislative changes that would require single payment investment contracts, as opposed to contracts paid for on an installment basis, to be regulated under trust company rather than securities legislation.70 In this way, single payment investment contracts would be insured under the national Canada Deposit Insurance Corporation system. Other important recommendations called for more comprehensive disclosure requirements for issuers and their securities and the legal right to continuous disclosure for contract holders.71 The Committee also recommended the establishment of statutory reserve

requirements for all investment contract companies and limitations as to how these reserves could be managed. Reserve requirements were to be designed to require the maintenance of assets sufficient to meet liabilities as they fell due.72

Despite having a representative on the Committee, the New Brunswick government failed to implement any of the recommendations contained in the Report.

The last significant amendment to the Securities Act occured in 1978 pursuant to the Act to Disestablish the Department of Provincial Secretary. In transfering authority for "the administration" of the Securities Act from the Provincial Secretary to the Minister of Transportation, the Legislature tacitly confirmed the tripartite administration of New Brunswick's securities legislation by the Department of Transportation, the Board and the Administrator.

In the period between 1978 and 1987, relatively minor changes were enacted to make the Act conform to other legislative changes when required, including the Canadian Charter of Rights and Freedoms.73 The latter amendment made allowance for the Board to apply for a warrant pursuant to the Entry Warrants Act, am., S.N.B. 1986, c. E-9.2, either before or after attempting to examine a company's business records.

VI. The Transfer of Authority for the Securities Act

The most significant amendments to the Securities Act from 1965 to 1987 were not proclaimed during this period. These amendments, in 1982 and 1985, would have transferred the administration of the Act from the Minister of Transportation to the Minister of Justice. The Minister of Transportation had acquired authority over the Act from the Provincial Secretary when the latter department was abolished in 1978.74 While the 1982 amendments were never proclaimed, those of 1985 were eventually proclaimed in 1989.75 Throughout this period, the Securities Act continued to cover investment contracts. Regulations filed in 1984, which continue to be part of the law in New Brunswick today, included investment contract in the definition of a security.76

Before the Minister of Transportation took responsibility for the administration of the Securities Act in 1978, some thought was given to placing it under the auspices of the Department of Justice. Officially, the Department of Justice was reluctant to assume responsibility for the potentially conflicting duties of administering and enforcing the same act.77 The enforcement aspect of the Securities Act, as with other statutes, already fell to the Department of Justice. However, from at least 1980 onwards, the Department was anxious to assume responsibility for the Securities Act and confident that it could do so without the need for significant additional resources.

The desire by the Department of Justice to physically move the administration of the Securities Act from Saint John to Fredericton probably explains the delay in transferring authority for the Act from 1982 to 1989. During that period, the Department of Justice expressed the opinion that the Administrator's work could be carried out more efficiently and economically in Fredericton. Moreover, the Department of Transportation was willing to transfer the administration of the Securities Act to the Department of Justice. However, some members of the Saint John legal community, supported by one or more elected representatives, were apparently able to block such a step. In the words of the Department of Justice 1985 "Examination":

> The logical approach would be both a legislative move to the Department of Justice and a physical move to the Corporations office in Fredericton. The only strong argument against the move is the money gained by the Saint John Bar. This is not because of a concentration of business in the Saint John area, but only as a result of the close proximity of the law firms to the securities office. The dollars gained are also only of an indirect nature arising from the contacts made in acting as agent for the Brokers and corporations making a primary distribution to the public not directly from the agency arrangement. Further, only 2 or 3 firms are involved in this business. It is not the entire bar that is benefiting from the arrangement.

The Department of Justice was also concerned that the Act itself was not sufficient to regulate modern "sophisticated investment markets". The Department of Justice wanted an improved Act to "provide better tools for the Administrator to use to assess and judge the continuing health of firms involved in securities markets".78 Mr. Charles McAllister's report to the Department of Justice in July, 1985 on the regulation of the securities industry in New Brunswick recommended that the Securities Act attach civil liability to an issuer for misrepresentations in a prospectus. The proposed changes to the Act would address mutual funds, insider trading, proxy solicitation and circulars, and takeover and issuer bids.79 In a background paper issued later the same year, Mr. McAllister recommended that a revised New Brunswick Act be modelled on the Quebec securities statute, which he claimed took the best of the Ontario statute while leaving out its worst aspects.80

Perhaps Mr. McAllister's most significant recommendation was that the New Brunswick Act should be made compatible with the closed system of continuous disclosure operating in larger jurisdictions. The closed system initially appeared in Canada in Ontario after the 1978 Report of the Committee of the Ontario Securities Commission on the Problems of Disclosure. The underlying principle of a closed system is:

> that there should be continuous disclosure (of issuers) and that securities issued

> without a prospectus or held by a controlling person can only reach investors where either a prospectus is filed or the issuer of securities is a reporting issuer.

The Ontario Report further recommended that, unless an issuer files a prospectus, is a reporting issuer, or is dealing in securities that are exempt from disclosure requirements, that issuer would have to trade within the closed system. In the closed system, securities are traded between sophisticated purchasers or special related parties. As of July, 1985, only Ontario, Quebec, and Alberta had adopted the closed system. Mr. McAllister suggested that it might be best if New Brunswick, given its small size, adopted a modified form of the closed system.81

While it is difficult to speculate as to the level of financial resources necessary for the proper administration of the Securities Act, both that Act and the Public Utilities Act made adequate provision for the salaries and expenses of the Board and the Administrator. As noted above, since 1910 the Public Utilities Act allowed the Lieutenant-Governor in Council to set the salaries and expenses of Board members while requiring they would be paid from assessments levied on public utilities regulated under the Act based on their gross earnings.82 Sections 4 and 9 of the present Act permit the same to be done today.83

Section 14 of the first New Brunswick securities statute allowed the Board to charge the costs of any investigation to the person or company concerned.84 Section 25(2) of the present Securities Act confers a similar authority on the Administrator.85 In addition, the Department of Transportation has made budgetary allocations with respect to the functions of the Administrator, the Motor Carrier Board, and the Corporation Securities Registration Act. Moreover, throughout the history of the Securities Act, the Board and the Secretary/Registrar/ Administrator could rely on the expertise of trained accountants to carry out any investigation it deemed necessary.86

The salaries of Board members, especially the Chairman and the Secretary/Administrator, were substantial and compared favourably with those of other senior provincial public servants. In 1978, the last year the Public Utilities Board operated under the Department of Provincial Secretary, the Administrator/Secretary to the Board earned a salary of $26,538. This salary compared well to the $34,500 the Deputy Minister earned that year and made the Administrator the fourth highest paid employee of the departmental establishment contained in the Public Accounts. By 1987, while the increase in the Secretary's salary had failed to keep pace with that of the Deputy Minister (that year the Administrator earned $45,500 to the Deputy Minister's $70,510), it still ranked among the top 12 per cent of salaries for employees of the Department of Transportation

establishment. In the same year, the Chairman of the Public Utilities Board earned a salary of $68,042 which made him the second highest paid employee in the departmental establishment.87 These salaries reflected the status and responsibility associated with the positions of Chairman of the Public Utilities Board and Administrator of the Securities Act.

While the New Brunswick Securities Act might well have been reformed, the central issue in this investigation is whether the proper administration of the existing legislation could have prevented the loss suffered by New Brunswick's FIC investors. The Act set out the requirements for the registration of securities issuers, brokers and salespersons and the certification of their securities.88 It contained detailed requirements for the submission of prospectuses, copies of contracts, financial statements, business plans, and other financial documents.89 It permitted the Administrator to order investigations of any securities issuer at no cost to the public and provided for the use of outside accounting expertise in any investigation, again, at no public expense.90 The Act authorized the Administrator or the Board to compel any securities issuer to comply with any recommendation in the final report of an auditor.91 Moreover, the Securities Act permitted the Administrator and the Board to carry out these duties at reasonable public expense and with recourse to a substantial contribution by those companies which were within the jurisdiction of the Act.92

VII. Findings

1. The duty of the Government of New Brunswick to protect the purchasers of investment contracts was embodied in New Brunswick's first securities legislation in 1923 and has been continuously included in New Brunswick's securities legislation up to the present date.

2. The Legislative Assembly of New Brunswick, through the enactment and subsequent amendments to the Sale of Securities Act 1923 and the Security Frauds Prevention Act 1935 (Securities Act) and its subsequent re-enactments in 1952 and 1973, has imposed continuously higher standards of consumer protection on the public officials charged with the administration of New Brunswick's securities legislation.

3. New Brunswick's securities legislation has continuously permitted the flexible enforcement of its provisions by the conferral of broad discretionary powers on the Public Utilities Board and the Administrator of the Securities Act. A signal example of this flexibility is the 1960 Covenant entered into between the Province of New Brunswick and FIC.

4. New Brunswick's securities legislation has addressed the sometimes conflicting objectives of public scrutiny and economy by providing for the investigation of any applicant or registered company or person at the expense of that

company or person, including the utilization of accounting expertise at no expense to the Government of New Brunswick.

5. The Province of New Brunswick expressly recognized the unique characteristics of investment contract regulation and the need for intimate governmental knowledge of the mechanics of such securities by its full participation in the 1969 Federal/Provincial Report on Mutual Funds and Investment Contracts that included the Province's salaried participation by Mr. Kenneth P. Lawton, Q.C.

6. The Province of New Brunswick has continuously required that the office of the Administrator of the Securities Act be staffed by senior public officials physically located in the City of Saint John.

PART THREE

THE REGULATION OF FIRST INVESTORS CORPORATION LTD. (FIC) BY THE PROVINCE OF NEW BRUNSWICK

> "While Securities law seems to have been relegated to the back burner, ... it certainly will be raising its head again."
>
> [Mr. Alan Creaghan, Director, Corporate and Trust Affairs, to Mr. Robert Scammell, Assistant Deputy Minister of Justice, October, 1982]

I. Introduction

The regulation of securities trading in New Brunswick comprised several important responsibilities, including: a) the registration and certification of securities issuers, brokers and salespersons by the Administrator of the Securities Act; b) the conferral of broad investigative powers on the Administrator and the Public Utilities Board; c) the conferral of audit powers on the Administrator of the Securities Act; and d) the regulation of margin trading, confirmation notices and soliciting. This regulatory regime provided a mechanism for the New Brunswick Government to protect investment contract holders by scrupulously regulating the sale of investment contracts by First Investors Corporation Ltd. (FIC).

The Code Report has established that FIC had encountered financial difficulties throughout the decade prior to its

collapse in 1987, and was financially insolvent from 1984 onwards. The Code and Trawick (Alberta Ombudsman) Reports have concluded that the Province of Alberta knew of FIC's financial condition but failed to take action under the Alberta Investment Contracts Act to protect investment contract purchasers.93

The Province of New Brunswick was also required to regulate FIC under its securities legislation. Indeed, when it granted a security issuer's certificate to FIC in November, 1960, the company was required to adhere to an extensive list of statutory conditions. FIC was required to comply with: a) the Securities Act, with specific emphasis on prospectus requirements;94 b) a six condition Covenant, which included extensive public disclosure obligations and a 60-day rescission period for investment contract purchasers;95 c) the Alberta Investment Contracts Act;96 and d) reporting requirements to confirm that it had adhered to the Alberta Investment Contracts Act.97

By 1987, the National Policy Number One was in place to facilitate uniform reporting standards across the country. New Brunswick's securities regulators had participated in a comprehensive federal-provincial Report which warned of the inadequacies in the existing regulation of investment contracts.98 The Province of Alberta had experienced the collapse of a number of financial institutions. Yet, when FIC

failed in June, 1987, the Province of New Brunswick was no longer regulating it as well as it had in 1960.

In the aftermath of the Principal collapse, a senior public official blamed investors for not complaining sooner.99 This reaction ignored one vital point. Had the Province regulated FIC in the 1980's as it had in 1960, New Brunswick investors would have had a three-year warning of FIC's financial difficulty. It was during these three years that hundreds of New Brunswick investors made the investments which resulted in great personal financial losses.

The Principal collapse is a vivid reminder that regulators who are empowered to regulate in law must also regulate in fact. By neglecting its responsibility to administer the Securities Act, the Province left innocent investment contract purchasers exposed to the very dangers from which the Act was designed to protect them. While legislators have the right to repeal legislation, this is not within the purview of the administrative level of government.

II. The Regulatory Framework - 1984-1987

A) Overview

The administration of the New Brunswick Securities Act has been characterized as "reactive"100 and not being one which initiated inquiries or investigations on the Administrator's own

motion. The regulation of the sale of investment contracts by FIC under the Securities Act might well have complemented such an approach had the Administrator also complied with the statutory registration/certification requirements and been mindful of the broad statutory discretionary powers. This three-fold regime included the regulation of security issuers - the primary distributors of securities - brokers and salesmen. By this regime, the Administrator was empowered to execute the primary purpose of the legislation, "the protection of investors".

The following is a summary of the most important requirements of the Securities Act which FIC had to comply with:

(a) as a security issuer,

1)	section 13(1)	a primary distributor must be registered as a security issuer.
2)	sections 13(3), 14, 15, 16, 17	all require the filing of a prospectus.
3)	section 17(2)	an applicant must appear solvent in order to be registered.
4)	section 17(2)	an applicant must file documents that give a fair, just and equitable plan of business.

(b) as a broker,

5)	section 5(1)	a broker must be registered.
6)	section 10(1)	an applicant for a broker's registration must deposit a bond.
7)	section 36	a broker must annually file a certificate attesting to its financial condition.

(c) as a salesman,

8)	section 5(1)	a salesman must be registered and must be employed by a registered broker.
9)	section 10(1)	an applicant for a salesman's registration must deposit a bond.

B) Security Issuer's Certification

Section 1 of the Securities Act defined a 'security issuer' to include:

> a company or person, other than an individual, trading in securities of its own issue and not trading generally in other securities.

Section 13(1) of the Securities Act required a primary distributor of securities to obtain a security issuer's certificate. Since investment contracts were securities and since the sale of investment contracts was a primary distribution of a

security to the public, FIC was required to obtain a security issuer's certificate.

Section 13 of the Act specified the information which a primary distributor was required to submit to the Administrator in order to obtain and maintain certification as a security issuer. Paragraphs 13(3)(a) to 13(3)(e) required the submission of the business plan, the name and location of the company, a copy of all contracts the company proposed to make, an itemized account of its financial affairs and its articles of incorporation. Paragraphs 13(3)(f), (g), and (h) detailed the prospectus requirements of mining, industrial and financial companies, respectively. FIC was deemed to fall under the provisions of paragraph 13(3)(h) since it was a financial company.

Paragraph 13(3)(h) set forth the following requirements for the content of a financial company prospectus: (i) the laws under which it is incorporated; (ii) the nature of the business to be transacted; (iii) the particulars of share capital; (iv) the particulars of any bonds outstanding; (v) the amount and nature of any indebtedness not shown in the balance sheet filed with the Board; (vi) a description of the method to be used for selling the securities offered; (vii) the net proceeds from the issue and the specific purpose(s) for which the proceeds were to be used; (viii) the particulars of any properties purchased or

acquired by the company; (ix) the identities of the vendors of any properties purchased or acquired; (x) the amount paid in good will for any purchase; (xi) the particulars of any services rendered which were to be paid for by the company; (xii) the particulars of any interest a director of a company had in any property purchased by the company; and (xiii) any other material facts not already disclosed.

Paragraph 13(3)(i) permitted the Administrator to require such other information as the Administrator ("the Board") might require. Section 13(8) required an amended prospectus to be filed within 20 days of a material change from the facts in the original prospectus.

Section 13(10) permitted the Administrator to accept copies of the prospectus filed in other North American jurisdictions. In addition, it gave the Administrator the discretion to modify, in an individual case, the requirements of subsection (3). However, the extent of the permissible modifications must be read in the context of the requirements of sections 14, 16 and 17 of the Securities Act.

Section 14 required the security issuer to supply prospective purchasers with:

> ...a copy of the prospectus or amended prospectus, whichever is last filed with the Board together with
>
> > a) a copy of the last financial statements and reports accepted for filing by the Board, where financial statements and reports are required to be filed, ...

Section 16 permitted the purchaser of a security to rescind the contract if section 14 had not been complied with.

Section 17 required the Administrator to examine all documents filed under section 13. The Administrator could only issue a certificate if, upon such an examination, he found the company solvent, and the documents provided for a fair, just and equitable plan for the transaction of business. This certificate stated that the applicant had complied with the provisions of the Act and had filed with the Administrator ("the Board") detailed information respecting the company and its securities. Section 17(4) required the Administrator to "refuse to grant a certificate if in his discretion he is of the opinion that it would not be in the public interest to grant the certificate".

The requirements of section 17 were such that the Administrator was required to have a substantial amount of financial information in order to support a decision to grant a

security issuer's certificate. In the case of FIC, the required information included a copy of the FIC investment contract document. This document included the following provision which was relied upon by FIC investment contract holders:

> I understand that First Investors Corporation Ltd. and Associated Investors of Canada Ltd. are registered under the Investment Contracts Act (Alberta). Pursuant to the Investment Contracts Act, the company is required to maintain assets equal to its liabilities to the holders of its contracts on deposit with a Canadian chartered bank. THESE CERTIFICATES ARE NOT COVERED BY THE CANADA DEPOSIT INSURANCE CORPORATION.

Section 17(10) permitted the Administrator to attach to the certificate such conditions as were deemed necessary. In light of the duties imposed by these sections, it is difficult to conclude that section 13(10) meant that the Administrator could exempt security issuers from all prospectus and financial statement requirements. The provision of such a blanket exemption would have rendered these sections meaningless.

Section 18 of the Act empowered the Administrator to halt trading in a security. Such action could be taken if, in the course of primary distribution, it appeared section 13 had not been complied with; the prospectus or financial statements contained false, misleading or deceptive information; unreasonable consideration had been paid for promotional purposes or the acquisition of property; the proceeds from the issue would

be insufficient; or if escrow arrangements established by the Administrator were not being complied with.

Section 20 restricted advertisements relating to a trade in any security to which section 13 applied to security issuers or those persons who had received the permission of the Administrator.

C) Broker Registration

Section 1 of the Securities Act defined a broker as:

> every person other than a salesman or sub-agent who engages, either for the whole or part of his time, directly or through an agent, in the business of trading in securities, and includes a company and such officials of a company or partnership that trades in securities as may be designated by the regulations, and includes a security issuer.

Pursuant to sections 5 to 12 of the Act, the Administrator's office established categories of brokers that were permitted to sell securities, namely, broker (general), broker (restricted) and broker (non-brokerage). An individual or corporation registered as a broker (general) could sell any security in primary or secondary distribution. The second and third categories, broker (restricted) and broker (non-brokerage),

permitted the registrant to sell securities specified or not excluded by the certificate of registration.

D) Salesman Registration

Section 1 of the Securities Act defined a salesman to include:

> any person employed, appointed or authorized by a broker or company to trade in securities, whether directly or through sub-agents.

By virtue of section 5(1), a person could only obtain registration as a securities salesman if she or he was employed by an entity which was registered as a broker.

Sections 10 and 11 of the Act required applicants to post a bond of a specified amount. The Administrator could seize the bond if a salesman or broker was declared bankrupt, participated in a fraud, committed an offence under the Act, or for any other sufficient reason. In common with provisions governing the registration of security issuers and brokers, the Act conferred extensive investigative powers on the Administrator.

E) Special Registration/Certification Requirements - The 1960 Covenant

Pursuant to sections 13(8) and 14(6) of the Securities Act 1952, the Administrator could attach additional conditions to a security issuer's certificate. Section 9(3) gave the Administrator the same power in relation to a broker's certificate.

As indicated previously at p. 38-9, relying on the discretionary authority contained in these provisions, the Province of New Brunswick made a Covenant with FIC in 1960. Mr. Kenneth P. Lawton, Q.C., who was named securities Administrator in 1960, represented the New Brunswick Government in this undertaking. The Covenant imposed a number of conditions on FIC including the requirements that: FIC would comply with the Alberta Investment Contracts Act; that FIC's license would expire if it failed to be qualified under the Alberta Investment Contracts Act; that the company would file with the Administrator the quarterly statements, the balance sheet, and the profit and loss statements required to be filed under the Investment Contracts Act; and that an investor in FIC investment contracts had a right to cancel a contract within 60 days after entering into such a contract. By placing these continuing obligations on FIC, the Administrator's office endeavoured to confer on FIC

investment contracts the status of a "continuing primary distribution".101

In the case of FIC, these conditions were attached in the form of the following Covenant:

> "Company" shall in these conditions mean "First Investors Corporation Ltd."
>
> 1. Notwithstanding the expiry date shown on certificate the attached license shall expire forthwith in the event of the licensee failing to be qualified under "The Investment Contracts Act" of the Province of Alberta.
>
> 2. The securities to be offered to the public for sale and trade shall be limited to Investment Contracts of the company, copies of which have been filed with the Registrar under the Security Frauds Prevention Act, subject to the terms and conditions set forth in Paragraph 3 of the Memorandum of Association of the company.
>
> 3. The requirements and provisions of the Investment Contracts Act of the Province of Alberta shall be complied with and without restricting the generality of the foregoing in particular, the company shall comply with the following special provisions:
>
> (a) The company shall keep and maintain at all times in the custody within Canada of an approved Trust Company or Canadian Chartered Bank, assets of the kind that qualify for investment under the Canadian and British Insurance Companies Act, 1932, as now or

hereafter amended aggregating an amount not less at any time than an amount equal to the liability of the company under all outstanding investment contracts and without restricting the generality of the foregoing such liability shall be computed as follows:

(b) For every investment contract in force which has the payments for one full contract year or more paid thereon the liability shall be deemed to be such amount as will together with all future payments and with interest on such amount of such payments from the date thereof computed on the basis of the assumed rate not in excess of five per cent compounded annually attain an amount equal to the face of maturity value specified in the contract when due.

(c) For fully paid up contracts such amounts as will with interest computed at the rate not exceeding five per cent as aforesaid attain an amount equal to the amounts payable under the contracts as the same become due.

4. The company shall file with the Registrar under the Security Frauds Prevention Act of the Province of New Brunswick the quarterly statements and the balance sheet and profit and loss statements required to be filed in Alberta pursuant to Sections 18 & 19 of the Investment Contracts Act of Alberta.

5. During the first two years of any instalment contract the same "shall have a cash surrender value equal at any time to the amount by which the sum total of all paid certificate deposits exceeds a sum equal to

> $36.00 for each $1,000 maturity value thereof" instead of $47.50 as shown in such contract. Other provisions as to interest, instalments on account and advance payments, etc., to remain as written and for all periods after two years after the date of issue contracts shall be honoured as written, all subject however to Paragraph 6 of these conditions.
>
> 6. At any time prior to a date sixty days after the Plan holder has signed an application or an application has been accepted by the company, whichever date is the latest, the Plan holder may cancel the contract on giving the company or its agent notice of such cancellation and thereupon all monies deposited by the Plan holder shall be returned to him by the company.102

In effect, the Covenant incorporated by reference the financial guarantees required under the Alberta Investment Contracts Act. Moreover, per condition number 4 of the Covenant, FIC was required to file with the Administrator of the Securities Act the same extensive financial statements required under sections 18 and 19 of the Alberta Investment Contracts Act.

Condition number 6 gave an investment contract purchaser a 60-day right of rescission. This requirement was analogous to the protection provided by section 16 of the Securities Act. Regrettably, there is no evidence that the Administrator or other government official informed FIC investors of this

protective clause after FIC's collapse. This clause gave important moral, and possibly legal, advantages to the affected investors.

The long term relevance of the Covenant may be deduced from an excerpt of a November 14, 1960 letter from Mr. David Dickson, Assistant Registrar, to Mr. E. Neil McKelvey, the solicitor representing FIC. The excerpt follows a discussion of the conditions imposed by the Covenant:

> We would require, however, an undertaking by the company that within New Brunswick they will abide by these conditions.103

Mr. Gordon Fairweather, one of Mr. McKelvey's law partners, echoed Mr. Dickson's interpretation of the long term impact of the Covenant in a letter to Mr. Jack Kennedy of Cormie, Kennedy, Crawford, Harvie & Fitch (who also represented FIC) on November 15, 1960:

> First Investors Corporation Ltd. is obliged to file, as a condition to the continued existence of the certificate, the following:
>
> (a) A written undertaking by the company that it will abide by the conditions attached to its license; [i.e. the Covenant]
>
> (b) A statement showing the monthly amounts to be paid for each $1,000 for each of the plans offered by the company;

(c) The information required by the clauses (iv), (vi), (vii), (xi), (xii), (xiv), (xvii) and (xx) of section (h) of the Security Frauds Prevention Act (the prospectus requirements); and

(d) a bond of a surety company authorized to do business in New Brunswick in the amount of $2,000 in form as set out in the schedule to the regulations under the Security Frauds Prevention Act. If you do not have a copy of this form, I can supply you with one.104

The import of the 1960 Covenant is reflected in the following statement from the 1969 Report of the Canadian Committee on Mutual Funds and Investment Contracts:

> In the provinces without specifically applicable legislation, the securities administrators use their discretionary authority to apply requirements which are substantially similar to those contained in the relevant statutes of the other provinces.

The FIC security issuer file was destroyed by the Administrator in February, 1987.105 This unauthorized action resulted in the loss of almost all provincially-held archival data relating to the company. This presumably included the destruction of the 1960 Covenant. A copy of the Covenant was not available in the Administrator's office at the time of this Office's investigation. Upon receiving a copy from the Province of Alberta, the Office of the Ombudsman provided a copy to the

present Administrator on January 3, 1991. Moreover, the present Administrator and the Acting Administrator at FIC's demise were unaware of its existence.106 However, neither the existing broker (non-brokerage) file on FIC nor related Principal Group security issuer's certificates indicate that this Covenant has been revoked or amended.

F) Discretionary Legislative Powers Under the Securities Act

Apart from the mandatory legislative requirements- including the special conditions discussed in E) above - the Securities Act conferred broad discretionary powers on the Administrator. It is noted that, although these mainly investigatory powers were self-financing, they were not resorted to by the Administrator.

Sections 21 to 25 - Part II of the Act - set out the extensive investigative powers the Administrator possessed to guard against fraud, breaches of the law and, generally, to assist in the enforcement of the Act. In addition, section 25(2) permitted the Administrator to order a company under investigation to pay the costs and expenses of the Administrator's investigation. It also authorized the delegation of the Administrator's investigative authority to any person or company. Thus, the Administrator was empowered to conduct investigations at minimal public expense.

Sections 26 to 28 - Part III of the Act - regulated margin trading, confirmation notice requirements and soliciting restrictions.

Sections 29 to 36 - Part IV of the Act - outlined the audit powers of the Administrator. Similar in nature to the investigative powers, the Administrator had the right to delegate audits and charge the costs back to the audited company. The audited company was required to provide full access to the auditors of the Administrator. Failure to comply with the advice of the auditor or that of the Administrator constituted an offence which could lead to a suspension of registration.

Section 36 required every broker to file annually with the Administrator a certificate as to its financial position signed by the broker and an independent auditor. The Act created an offence for a failure to do so without reasonable excuse.

Sections 37 to 45 - Part V of the Act - constituted the general provisions. One of the most important of these was section 37(2) which deemed the Administrator ("the Board") to be a representative of the Crown. Section 38 provided immunity from liability for those persons or companies from actions connected with the administration of the Act when the person or company was acting as the Administrator, or under orders of the Administrator or a judge.

It may be concluded that resort to these discretionary powers by the officials charged with the administration of the Securities Act would have resulted in the termination of FIC investment contract sales in 1984.

III. The Registration/Certification of the Principal Group Under the Securities Act

A) Overview

This Office's review has focused most sharply on the registration/certification of the Principal Group by the Administrator of the Securities Act. This examination has revealed grave shortcomings in the Province's regulatory regime. Such shortcomings were arguably evident in the Administrator's failure to exercise any of the discretionary remedies available under the legislation. Quite apart from the Administrator's discretionary powers, shortcomings existed in equal measure with respect to the Administrator's mandatory obligations. In particular, maladministration was demonstrably present with respect to a) the lapse in FIC's security issuer registration; b) the lapse in Principal Consultants Ltd.'s (PCL's) broker registration; and c) the lapse of the salesman registration of the manager of PCL's Moncton Office.

The investment contracts issued by FIC in New Brunswick were sold by salesmen employed by PCL. To meet the minimum

registration requirements of the Securities Act, the following registration/certification prerequisites had to be met:

FIC	security issuer certificate.
	broker (general) or broker (restricted but including FIC investment contracts).
PCL	broker (general) or broker (restricted but including FIC investment contracts).
PCL salespersons	registration as salesmen.

In June, 1987, both FIC and PCL were registered only as brokers (restricted to mutual funds sponsored and developed by Principal Securities Management Ltd.). The salespersons employed by PCL were registered as salesmen. Moreover, the registration of the PCL's leading salesman had lapsed for the four-month period prior to March 3, 1987.107

At a minimum, FIC should have possessed a security issuer's certificate and a broker registration which permitted the sale of FIC investment contracts; PCL, a broker registration which included FIC investment contracts, and a salesman registration for each salesperson employed by PCL.

Quite apart from the Administrator's failure to regulate the Principal Group under the provisions of the Securities Act, one also concludes that the unauthorized destruction of information

by the Administrator's office affected the quality of administration of the legislation by subsequent (particularly acting) incumbents. Moreover, it appears to have created a missing link which, arguably, has obscured the Province's ability to assess its responsibility to New Brunswick's FIC investment contract purchasers.

Finally, this Office has concluded that the maladministration by the Administrator's office was exacerbated by a bureaucratic malaise which deterred the effective administration of the Securities Act. Succinctly stated, the Department of Transportation had "the administration" of the Securities Act and did not want it; the Department of Justice was prepared to accept authority for the legislation, but could not persuade the Province of New Brunswick to amalgamate the Administrator's office with its other consumer protection functions in the capital city. In the result, the Administrator's office operated within the offices of the Public Utilities Board in a manner which one might more readily describe as neglected rather than independent. While one may conclude that it was sufficiently well funded and staffed to properly execute its legislative functions, one must also conclude that it was not part of a coordinated regulatory regime that would have protected New Brunswick's FIC investment contract holders.

B) Major Administrative Shortcomings

1) FIC's Security Issuer Lapse

Until February 1, 1987, FIC had possessed a valid security issuer's certificate. On January 14, 1987 it attempted to renew this certificate which it had held for the previous 26 years. During the previous eight years, this certificate had been given without the requirement of a prospectus.108 Moreover, FIC was not required to submit financial statements during the three years prior to 1987.109 These shortcomings contradicted the statement in FIC's security issuer Certificate of Registration No. 86-50 that "detailed information in regard to [FIC] is on file at the office of the [Administrator], for public inspection and information".

In a handwritten note on the January 14, 1987, request to the Administrator, Ms. A. Smith, of the Principal Group's Legal Department, wrote: "Admin. phoned and I explained this was for the investment contracts."110

On January 27, 1987, in a letter to FIC,111 the Deputy Administrator responded to the request as follows:

> Attention: Mr. [sic] A. Smith
> Legal Department
> Dear Sir [sic]:
>
> RE: Security Issuer Registration

> Further to your letter of January 14, 1987 regarding the above, we wish to advise you that a security issuers' license is only renewed when the securities are to be in the course of primary distribution after the expiry date shown on the Certificate of Registration, No. 86-50 at which time a new prospectus should be filed on or before that date.
>
> Therefore, we are returning your cheque for $50.00. If you have any further questions regarding the above, please do not hesitate to contact this office.
>
> Yours truly,
>
> D. W. Sanders
> Deputy Administrator

As a result of the above letter, FIC's security issuer's certificate was permitted to lapse. The basis for the Deputy Administrator's action was discussed in a memorandum written by the Financial Affairs Analyst for the Corporate and Trust Affairs Division of the Department of Justice, on July 2, 1987.112 He wrote that the Deputy Administrator believed that, although FIC had only a broker (restricted) certificate, it could still sell investment contracts.

The present Administrator put forward the following explanation in a memo to the Assistant Deputy Minister of Justice on February 1, 1990:

> Doubtless the confusion originates in the failure to distinguish between First Investors Corporation Ltd. as a broker, allowing salespersons to distribute certain products; and First Investors Corporation Ltd. as a security issuer of investment contracts.113

In sharing the present Administrator's conclusion, this Office finds that a lack of understanding of the Securities Act was a notable characteristic of Securities Act regulation during at least the three-year period preceding FIC's collapse.

It is possible that deficiencies in the record keeping practices of the Administrator's office, identified in a February 13, 1985 report by the Department of Justice, may have exacerbated the problems created by the Administrator's lack of understanding of the legislation.

2) PCL's Broker Registration Lapse

In 1983 and 1984, PCL was registered as a broker (general).114 This, with FIC's registration as a security issuer, permitted PCL salesmen to sell FIC investment contracts in compliance with the Securities Act. The 1985 certificate was changed to broker (restricted).115 In its request for a renewal of its broker's certificate on September 18, 1986, PCL wrote "Re: Renewal of registration-broker (general)".116 Instead, a broker (restricted) certificate was sent without explanation.117 PCL

pointed out that the restriction was incorrect in that it specified "mutual funds sponsored and developed by the company and Principal Multiplier".118 In fact, the mutual funds PCL sold were sponsored by Principal Securities Management Ltd. No acknowledgement was given by either PCL or the Administrator of the fact that PCL also sold FIC investment contracts. However, there is no evidence that the Administrator was unaware of this. As the Department of Justice's report of July 2, 1987 makes clear, the Administrator's office did not realize until a later date that investment contracts were separate from mutual funds.119

One must conclude that the Administrator's office knew or ought to have been aware that FIC was selling investment contracts through PCL's sales force. Among the sections of the Securities Act expressly pointed out to FIC by the Acting Registrar in his November 14, 1960 letter to Mr. McKelvey were those pertaining to the prospectus requirements. Among the prerequisites to the approval of a prospectus was the requirement that the Administrator obtain from an applicant, per paragraph 13(3)(h):

> a brief description of the method by which the securities offered will be sold to the public.

Since the Administrator's office had failed to require the submission of a prospectus by FIC since at least 1979,120 it effectively precluded the Province from acquiring this information.

On July 21, 1987, the Director of Corporate and Trust Affairs of the Department of Justice informed the Administrator's office that investment contracts should only be sold with a prospectus.121

3) Lapse in Salesman Registration of Principal's Moncton Office Manager

The Securities Act required all securities salespersons to be registered as salesmen and provided that all such registrations expired annually on October 31. Mr. Richard Stone was the manager of the Moncton Office of PCL. The Moncton office was the oldest established and largest in the Province. Moreover, Mr. Stone was the leading investment contract salesperson for PCL during its highest sales months of February and March, 1987.122 On October 31, 1986, Mr. Stone's salesman's license lapsed.123 Some three months later,124 the Acting Administrator sent the following letter to him:

January 30, 1987

Mr. Richard Stone
Heritage Court
95 Foundry Street
Suite 305
Moncton, N. B.
E1C 5H7

Dear Sir:

A review of our files show you did not renew your licence for the current licensing year.

Would you please advise us by return mail whether or not you have in fact terminated with Principal Consultants or merely overlooked the matter.

We await your early reply.

Yours truly,

D. W. Sanders
Deputy Administrator

dws/eld

This letter was the only action taken by the Administrator's office. Mr. Stone renewed his license on March 3, 1987, more than four months after its lapse. The Act states:

5(1) No person shall

(a) trade in any security unless he is registered as a broker, or salesman or sub-agent of a registered broker,

5(2) Any violation of subsection (1) constitutes an offence.

4) Absence of Evidence to Permit Ex Post Facto Analysis

The Department of Justice's view of the collapse of FIC may have been affected by its lack of information regarding the registration process. On November 18, 1987, the Assistant Deputy Minister of Justice wrote to the Deputy Minister of Justice the following:

> I would recommend that an internal review of the securities issuer licensing procedures be carried out to ensure a strict application of the law would support the practices followed by the securities administrator. In the absence of any legal action it is difficult to respond with certainty to legal responsibility. However, I do believe the current "missing link" in our knowledge is the securities issuance licensing procedure.125

On December 11, 1987, the Director of Legal Services of the Department of Justice was advised that it would take a two-week investigation of licensing procedures to respond to the following issues, namely:

a) (to) review the Administrator's actions in the initial issuing of a securities issuers certificate to FIC and each renewal thereof to determine if there was negligence on the part of the Administrator in the issuing or renewing the licence; and,

b) if the Administrator was negligent with regard to the issuance of FIC's license, did his actions cause a loss to any investor?126

On March 14, 1988, the Department of Justice opined that the Province of New Brunswick could successfully defend itself against a negligence action.127 On March 28, 1988, the counsel for FIC investors in Eastern Canada, Mr. John McNiven, requested information on FIC's registration in New Brunswick.128 On March 30, 1988, the Assistant Deputy Minister of Justice replied as follows:

> If the declaration is not detrimental to the Province's interests, we will recommend it be completed and returned.129

The Legal Services Division of the Department of Justice subsequently informed the Assistant Deputy Minister of Justice that it would not be possible to provide a statutory declaration of the steps taken in registering FIC.

This Office was unable to examine the FIC security issuer's file at the Administrator's office. This was because the Administrator's Office had carried out an unauthorized destruction of files without reference to the requirements of the Archives Act130 or the Public Records Act131. This practice, the incorrectness of which has been confirmed by the Provincial Archivist, presumably resulted in the destruction of the FIC security issuer's file, including the 1960 Covenant. This Office has obtained information from the Province of Alberta that indicates that the Administrator failed to adhere to the Securities Act. Among the Administrator's perceived statutory omissions was the failure to require information with respect to the prospectus and financial statements and the registration/certification requirements for security issuers, brokers and salesmen.

The Administrator's office was not authorized to provide financial guarantees relating to regulated companies. However, it was obliged to obtain and assess the statutorily-required information to ensure that the registration and certification prerequisites of the Act were adhered to. Morever, it was obliged to obtain and assess the information required by the prospectus provisions of the Act in order to afford New Brunswickers the opportunity to make sound investment decisions.

On August 17, 1987, the Minister of Justice advised the Premier of New Brunswick that the primary policy purpose of the Securities Act was to prevent misleading statements to the public.132 The Securities Act's basic premise was that the Administrator's office should ensure that the public was given adequate information. In this manner, investors could formulate a fair opinion of their prospective investment. Unfortunately, New Brunswick investors were not given an opportunity to make an informed opinion of FIC.

5) Bureaucratic Malaise

The Administrator's office invites criticism because of its disregard for the requirements of the Securities Act. However, the bureaucratic shortcomings do not appear to have been

restricted to that office. One concludes that those responsible for the administration of the Securities Act helped to create a regulatory environment that permitted the unfortunate events of 1987 to occur.

One reaction to New Brunswick's regulation of FIC is astonishment that the Securities Act was under the auspices of the Department of Transportation. At the time of the Principal collapse, the Minister of Transportation appeared to be unable to assist the Administrator. In an August 27, 1987 letter to the Minister of Justice, the Minister of Transportation sent the following plea for help:

> As we have discussed, the Department of Transportation does not have any role in the administration of this legislation, nor does its personnel have any professional knowledge on this subject. In light of the above, I very much appreciate your committment that you and your Department will do all you can to assist us in this matter. This assistance has been useful in the past, and I wish to confirm that we will continue to rely heavily on the support of you and your professional staff.133

By this admission, the Department of Transportation confirmed that it was not administering the Securities Act.

The bureaucratic malaise that characterized securities regulation in New Brunswick between 1984 and 1987 is reflected in the unfortunate circumstances in which the Acting Administrator of the Securities Act was required to assume and execute his duties. In September, 1986, the Administrator became physically disabled and did not return to work prior to his retirement in May, 1987.134 The Assistant Secretary of the Public Utilities Board had conferred upon him the responsibilities of Acting Administrator from September 26 to November 30, 1986 without the benefit of any briefing as to the function of this new position.135 Prior to the expiry of the Acting Administrator's initial appointment, the Chairman of the Public Utilities Board made the following request to the Department of Transportation:

October 17, 1986

Department of Transportation
P.O. Box 6000
Fredericton, N.B.
E3B 5H1

Attn: Douglas MacIntosh
Executive Director
Administration & Policy Division

Dear Doug:

Please find enclosed a copy of a letter written on today's date to support Mr. Sanders' application for "acting" salary adjustment. My understanding is Order in Council 86-791 was effective only to November 30th. As I indicated on the

telephone, we do not have, at the present time, any indication as to when Mr. MacMurray will return to his desk but hopefully it may be within the November 30th deadline. I would suggest, however, that it might be appropriate now to consider Mr. Sanders' permanent appointment as Deputy Administrator as had been discussed in correspondence with you prior to September of this year. If I may be of any assistance, please do not hesitate to contact me.

Yours very truly,

David C. Nicholson
Chairman

dcn/eld136

The Lieutenant-Governor in Council subsequently extended the Acting Administrator's appointment indefinitely from November 30, 1986.137 However, the Department of Transportation failed to notify the Public Utilities Board or the Acting Administrator of this decision or to provide a copy of the order-in-council to either office. Finally, the request for the conferral of acting pay status on the Acting Administrator was rejected, per the terms of the order-in-council. However, neither the Chairman of the Public Utilities Board nor the Acting Administrator were extended the courtesy of a reply to the request of October 17, 1986.138 The governmental decision contained in Order-in-Council 86-950 was only made known to them by this Office in 1990.

In contrast to the Department of Transportation, the Department of Justice employed the Government's leading authority on securities legislation, Mr. Charles McAllister. Moreover, the Department of Justice was aware of the shortcomings in the administration of the Act. In a November 9, 1987, letter to the Minister of Justice, the Department's Assistant Deputy Minister made the following assessment:

> While I believe we would have fundamentally administered the program with greater awareness of potential pitfalls, the bottom line is that without adequate resources there is no reason to believe Justice wouldn't be subject to similar criticism had we simply accepted transfer of responsibility.139

If one may conclude that an "awareness of potential pitfalls" was what the Administrator's office lacked, and that such an awareness might well have prevented the serious financial losses suffered by New Brunswick investors, one may also conclude that the Department of Justice ought to have been conferred a greater role in the administration of the Securities Act.

This step was urged by Mr. Gordon Gregory, the Deputy Minister of Justice in a February 5, 1980, memo:

> I regard it as highly unsatisfactory, as I am sure you do, to have securities administration carried out by the Department

> of Transportation, a department which has no interest or expertise in such administration. On the topic of administration alone, I would appreciate ... recommendations on what should be done to assign administration to those interested and capable of effecting a style of administration extending beyond a mere registry...

The analysis by the Assistant Deputy Minister of Justice of the administration of related financial institutions by the Department of Justice buttresses Mr. Gregory's conclusion:

> For the record, while we do have limited resources, the role is very much hands on for insurance and credit unions.140

One must conclude that such "hands on" administration of the Securities Act by an authority other than the Department of Transportation would have greatly lessened the jeopardy in which New Brunswick's FIC investment contract holders were placed.

The Department of Justice had provided the present Director of Corporate and Trust Affairs with the opportunity to complete extensive training with the Ontario Securities Commission in 1985. It was anticipated that he would assume responsibility for the Securities Act when it was placed under the administration of the Department of Justice.141

The Department of Justice had the advantage that it understood the Securities Act. Its assessment of the prerequisites to the issuance of a security issuer's registration by the Administrator is instructive:

> In the case of a security issuer's licence, the application is not approved until the information required by the Act and Regulations is provided and certified to constitute full, true and plain disclosure of all material facts. As indicated in concern #7 of this letter here again the regulator depends heavily upon the investigation and approval of the Security Issuer's licence. This licence is good for one year and to be renewed, updated information certified full, true and plain is required by the Act.142

Since the Administrator's office had failed to require the submission of a prospectus by FIC since at least 1979,143 it effectively precluded the Province from acquiring this information.

On July 21, 1987, the Director of Corporate and Trust Affairs informed the Administrator's office that the investment contracts should only be sold with a prospectus.144

Moreover, unlike the Administrator, the Department of Justice was aware of the 1969 Report of the Canadian Committee on Mutual Funds and Investment Contracts, which had recommended that

single pay investment contracts be treated as guaranteed investment certificates and be afforded Canada Deposit Insurance Corporation coverage.

In addition to the personal expertise of the present Director of Corporate and Trust Affairs, the Department of Justice possessed considerable knowledge regarding the related financial fields of trust and insurance company regulation. Unfortunately, insufficient action was taken to permit this knowledge to be fully applied to the Province's securities regulation prior to June, 1987.145

The conclusion that a bureaucratic malaise contributed to the losses suffered by New Brunswick's FIC investment contract holders is confirmed by the events surrounding the inquiry made by a member of the Executive Council, The Hon. Robert Jackson, to employees of the Principal Group's Fredericton office in 1987.

The former Manager of the Fredericton office of PCL, Mr. Alan Currie, has advised by affidavit that:

> I spoke with The Hon. Mr. Jackson by telephone conference in February, 1987 at which time Mr. Jackson expressed an interest in purchasing investment contracts issued by First Investors Corporation Limited in the amount of 450,000 dollars.

Mr. Currie further stated that, in a subsequent March 18, 1987 telephone conference with Mr. Jackson and another senior public servant, [Mr. Gerald McGarvie], he was advised as follows:

> The Hon. Mr. Jackson questioned where First Investors Corporation was investing the money received from the sale of investment contracts, whether First Investors Corporation had invested in real estate that had subsequently diminished in value, opined that First Investors Corporation Limited was not a sound investment and that, upon hearing my rebuttal to his concerns, suggested that I speak with [Mr. McGarvie] ... [Mr. McGarvie] advised me about the large investments made by First Investors Corporation Limited in Alberta real estate, the problems First Investors Corporation Limited had encountered with the Alberta Securities Commission, the advice he had received that the assets of First Investors Corporations Limited were greatly overvalued, that certain stocks and bonds listed in First Investment Corporation Limited portfolio were not in existence and that First Investors Corporation Limited was not licensed to sell investment contracts in the Province of New Brunswick.

In response to the statement made by Mr. Currie, and supported by two other former PCL employees, our Office received the following response from Mr. Jackson:

> I called a friend [Mr. McGarvie] who I knew was involved in investment management. I asked him, as a personal favour, if he would mind giving me some suggestions how I might invest the proceeds of money's [that] had come due from treasury bills which I had in

my possession. I also mentioned to him about the ad that First Investors had in the paper offering 10 1/2% on their investments and asked if he knew why they would be offering that rate when it appeared as if every one else in the business was lowering rates to below 10%.

Mr. McGarvie got back to me with a breakdown, in percentages of ideas, of how I might invest my funds. One thing he suggested, which I realized, that I shouldn't keep all my eggs in one basket.

In regards to my inquiry about First Investors Inc. he said he had made a call to someone in Alberta and I don't remember much of what he told me about that call except that First Investors had some problems and had not worked their way out of them yet and that their assets were overvalued.

I had come to the conclusion that the reason they were offering better rates was because they were trying to get more money invested with them to help them out of their situation, which I couldn't blame them for. I just made a decision on my own that I didn't want to get involved with a company I knew so little about and sales people that couldn't convince me of why I should invest with them.

I certainly got no indication that First Investors may go under. When I made my decision on my investments it was my decision only and Mr. McGarvie did not know if I used any of his suggestions. His suggestions were not specific to anything, only, as I said, to

percentages in different types of investments, and he was only trying to be helpful as a personal favour to me.

Mr. McGarvie responded, in part, as follows:

During the first half of 1987 I made inquiries to determine the investment quality of securities being offered by the Principal Group of Companies. On the basis of information obtained from these inquiries I concluded that these securities involved greater risk than similar securities offered by competing financial institutions. Although the securities promised higher returns, I did not believe these returns would offset the risk.

My inquiries were prompted by a request for information as to the investment quality of the securities from a member of the Executive Council who was serving in an acting capacity as Minister of Finance at the time.

The information which I obtained was sufficient to justify a recommendation against investment in the securities. I made this recommendation known to the Minister and explained to him the information on which it was based. I was not aware of any violations of the laws or regulations governing the activities of the Principal Group of Companies.

My inquiries were made during the course of many other activities. I spent a limited amount of time on the matter and I was primarily interested in acquiring information related to the investment quality of the

securities. Although the nature of the saleman's presentation and the use of Principal Trust securities as a lure aroused my suspicions, determining whether these security offerings were made within the laws and regulations was not within my area of responsibility and would have required considerably more work. In this regard, I requested assistance from the Department of Justice's Director of Corporate and Trust Affairs. He did not provide any meaningful information.

. . .

My conversation with Mr. Currie was at the request of the Minister who had indicated that Mr. Currie had denied the validity of the reasons he had given for rejecting the investments. He asked me to speak with Mr. Currie to provide a better explanation than he was able to provide, given his limited understanding of the problems with the investments and the difference between the deposits offered by Principal Trust and the investment contracts.

I do not recall making statements which are as definitive as indicated by Mr. Currie's recollection. I believe my statements were more questioning in nature and were made partly in response to assertions being made by Mr. Currie that I did not believe to be true. His description distorts the nature of our conversation and is partly incorrect in its reference to facts. In particular I do not recall knowing or stating that "...certain stocks or bonds listed in the

First Investment Corporation Ltd. portfolio were not in existence..." or that "... First Investor's Corporation Ltd. was not licensed to sell investment contracts in New Brunswick..." or "...the problems encountered with the Alberta Securities Commission...". In essence, Mr. Currie was maintaing that the investment contracts were equivalent to CDIC insured deposits, which he was also selling, while I was indicating that the contracts were relatively high risk securities and that if he did not know this then he should make his own inquiries with his superiors.

Your "Draft" report indicates that the Minister's decision not to purchase the securities was based on access to information which was not "public information". I do not agree with this conclusion. In my opinion, the Minister's decision was based on advice received from an investment professional. This advice was based on information which was available to any individual who had sufficient expertise to know the type of information required and the ability to interpret it.

[On April 18, 1991, Mr. McGarvie stated to this Office that he had no knowledge and made no statement of FIC's registration/licensing status in New Brunswick.

Mr. McGarvie stated that, in a memo dated August 13, 1987, he had recommended that the Province should consider suspending FIC's licence to sell investment contracts. According to Mr. McGarvie, this showed that when he spoke to Mr. Currie, he had no

knowledge that FIC was no longer licensed to sell investment contracts in the Province.]

For his part, Mr. McAllister believed that Mr. McGarvie's contact was not a complaint, was personal in nature, and that he was therefore limited to providing rudimentary information regarding the status of Principal Savings and Trust Ltd.

While the Report draws no conclusions regarding the bona fides of Mr. Jackson's request and the events emanating from it, this Office draws very strong conclusions regarding the perceived relevancy of the Administrator's office in the eyes of the Acting Minister of Finance, the Director of Corporate and Trust Affairs and the Executive Director of Treasury and Dept Management. No action was taken to alert the Administrator of the concern gleaned about FIC, even though the Administrator's office had exercised continuous regulatory authority over FIC for the previous 26-year period. Such inaction reflects the perceived invisibility and irrelevancy of the Administrator's office as a consumer protection agency.

IV. The Governmental Response Respecting the Issue of Maladministration

A) Overview

The responsibility of the Province of New Brunswick for the financial loss suffered by New Brunswick's FIC investment contract purchasers has been canvassed or alleged by the Code

Inquiry, the Canadian Bar Association and the New Brunswick Principal Investors Committee.

The Government's reaction to date has been to decline the acceptance of responsibility. Further, its various responses have been to (a) allege a lack of resources146, (b) claim reliance on the primary jurisdiction147, (c) investigate PCL salespersons for fraud, (d) disclaim responsibility because of the lack of investor complaints148, (e) state that the legislation was deficient149, and (f) state that securities regulation provides no guarantees to investors.150

This Office has examined and rejected each of these bases cited by the Province for its failure to adequately protect New Brunswick's FIC investment contract purchasers.

B) Lack of Resources

The question of resources is two-fold: first, what public resources were required to efficiently regulate FIC? Second, what resources were available?

The four major breaches of the Securities Act the Administrator's office permitted FIC or PCL to commit were all clear and unequivocal. Thus, the Administrator's office knew that FIC was not filing financial statements, since it had not received any for three years. The Administrator could quite

properly have suspended FIC's registration until this information was received. It is plausible that FIC would have withdrawn from New Brunswick rather than file its audited financial statements for 1984, 1985 and 1986. A request by Ontario regulators that FIC file financial statements as a prerequisite to the licensing of Principal Savings and Trust Company in that province, resulted in the discontinuance of the Principal Group's application.151 It is arguable that if the Principal Group was so reluctant to reveal the financial status of FIC that it would give up the potentially larger Ontario market, it might well have ceased business in New Brunswick if similar information were requested by this Province's Administrator. Alternatively, if FIC had submitted its 1984, 1985 and 1986 financial statements, investors would have the opportunity to understand more clearly the investments they were being asked to make.

Less hypothetically, the receipt of such information would have enabled the Administrator to apply his skill and experience to ascertain whether FIC ought to continue to carry on business in New Brunswick.

The other aspect of the reputed resource shortage was the unlimited access to outside resources provided by the Securities Act. Sections 25(2) and 30 permitted the Administrator's office to appoint external expertise to investigate companies falling within its purview, and to require that any related expenses be

charged to the company under investigation. These discretionary tools, which are set out in greater detail at pages 29 and 61-2 above, arguably ought to have been invoked upon the Principal Group's numerous failures to comply with the procedural prerequisites of the Securities Act.

Both the Chairman of the Public Utilities Board and the Acting Administrator at the date of the Principal collapse have provided comprehensive data attesting to the substantial burden of work and limited resources of the Administrator's office. Moreover, the former Acting Administrator, Mr. Doug Sanders, has made the following succinct comments in his January 31, 1991 correspondence with this Office:

> The Securities Act was being administered by the Secretary of the Public Utilities Board and a stenographer and these two employees devoted approximately 75 percent of their time to the administration of the Securities Act. In addition to administering the provisions of the Securities Act the Secretary of the Board was also responsible for administering the Corporation Securities Registration Act, Public Utilities Act, Motor Carrier Act and Sections of the Insurance Act relating to the Board's regulation of automobile insurance rates in the Province of New Brunswick...
>
> I believe that the lack of resources available to properly administer the Securities Act is demonstrated by the fact

> that when discussions took place between the Department of Transportation and the Department of Justice to transfer the authority for administration of the Securities Act the Department of Justice expressed concern that the resources available to administer the Act were not sufficient to do so in a comprehensive manner. Further evidence of the lack of resources can be shown by the fact that now that the transfer has been made to the Department of Justice there are four full time employees performing the duties that were previously done by the Administrator and a stenographer on a part-time basis.
>
> When I was appointed Deputy Administrator of the Securities Act on September 24, 1986 following Mr. Wallace P. MacMurray's heart attack, I was also performing my regular duties as Assistant Secretary of the Board in administering the provisions of the Motor Carrier Act and sections of the Insurance Act relating to the Board's regulation of automobile insurance rates in the Province of New Brunswick. Mr. MacMurray's absence made the lack of resources even more acute.

Conversely, the Secretary of the Board of Management, Mr. E. L. MacKinnon, stated on February 18, 1991, that:

> My staff has reviewed the Minutes of Board of Management meetings for the period in question and were unable to find any reference to a formal request from the Department of Justice or Transportation for

> additional resources for the administration of the Securities Act.

It is quite appropriate to assert that the Administrator's office required more resources and a more logical structure and reporting regime. However, it is concluded that such assertions do not address the fundamental types of errors that led to the non-regulation of FIC in 1987 and previous years. The maladministration of the Securities Act cannot correctly be blamed on or excused by reference to a lack of resources.

C) Reliance on the Primary Regulator

The former Administrator of the Securities Act and the former Acting Administrator of the Securities Act have stated that the Administrator's office did not regulate the sale of FIC investment contracts in New Brunswick because of its reliance on the primary jurisdiction, the Province of Alberta.152

The primary jurisdiction theory is based on the National Policy No. 1.153 The preamble to the National Policy No. 1 states that:

> To facilitate the acceptance of a prospectus, a short form prospectus, or an initial annual information form (the "AIF") in more than one Canadian jurisdiction and to provide for uniformity of administration, the securities regulatory authorities have agreed upon the procedure which may be followed by an

> underwriter or an issuer or a selling security holder (sometimes referred to herein as the "issuer") wishing to clear such documents in more than one jurisdiction.

Although FIC's investment contracts were regulated as securities under the New Brunswick Securities Act, they were regulated by the Superintendent of Insurance under the Alberta Investment Contracts Act. Accordingly, FIC investment contracts were not securities of the type contemplated by National Policy No. 1 and were not subject to its reciprocal provisions.

Moreover, National Policy No. 1 provided that:

> 1. (m) The procedure adopted by this Policy is for the convenience of the investment community. It involves no surrender of jurisdiction by any regulatory authority.
>
> Each of the administrators will retain in its entirety the statutory discretion vested in such administrator to review, accept or reject a particular prospectus or AIF.

That is, the National Policy No. 1 was designed to serve the convenience of the investment community and it did not relieve administrators in secondary jurisdictions, including the New Brunswick Administrator, of their responsibility to ensure that

the requirements of securities legislation in their own jurisdictions were met.

A former New Brunswick Securities Administrator, Mr. W.E. Clarke, Q.C., provided the following interpretation of the National Policy No. 1:

> Of these Policies, National Policy No. 1, is possibly the most important. Under this policy the proposed issuer selects one of the Provinces as the "Principal Jurisdiction" and this is usually, but not always, the Province in which either the Head Office or Main Office is situated.
>
> The prospectus is filed contemporaneously in each jurisdiction in which it is proposed to offer the securities for sale. The Administrators in the various Provinces file their deficiencies with the Principal Jurisdiction and they are then taken up with the Issuer and the deficiencies are satisfied. Each jurisdiction is notified of the deficiencies raised by the other jurisdictions.
>
> When all deficiencies have been settled, the issuer is notified and a final prospectus is then filed in each jurisdiction.
>
> This procedure was adopted on a trial basis and to date it has proven very satisfactory to all concerned and has speeded up the time required to clear a prospectus very considerably.

> It should be stressed that the adoption of this policy does not involve the surrender of jurisdiction by any provincial regulatory authority. Each of the Administrators will retain in its entirety the statutory discretion vested in him to review, accept or reject a particular prospectus, subject to the terms and conditions which are normal to that jurisdiction.154

Clearly, it was Mr. Clarke's opinion that the purpose of the National Policy No. 1 was not to allow provinces to delegate their regulatory powers to the primary jurisdiction.

However, in the case of FIC, the Province relied on Alberta's approval, licensing and supervision of FIC mainly because of administrative convenience, notwithstanding the fact that the Securities Act required the New Brunswick Administrator to conduct his own independent evaluation of FIC before licensing the company.

New Brunswick's reliance on Alberta's supervision of FIC was purely voluntary on its part. The Province was not induced by any overt invitation to follow that practice. One is unable to find any written evidence of specific information being supplied to the Province of New Brunswick by the Province of Alberta at the request of the New Brunswick government, and relied upon by this Province to its detriment. This Province relied on the fact of

the licensing in Alberta and apparently made no further inquiries. There is no foundation for the statement that, in the actual circumstances of the matter, the Province of Alberta owed it any duty, fiduciary, or otherwise in these matters.

As the Nova Scotia Ombudsman, Dr. Guy MacLean, has concluded [at page 43 of his Report]:

> The priority and obligation given to the notion of "principal jurisdiction" in National Policy No. 1 resulted in a reliance on the regulators in the Province of Alberta which was not based on any legislation in the Province.

There are two additional factors to be considered. The first is that the Province of Alberta regulated FIC under a different legislative scheme than New Brunswick. The 1960 Covenant between the New Brunswick Administrator and FIC recognized and accounted for this difference. An infortunate result of this difference is the apparent failure by the Administrator's office to receive notification of concerns expressed by the Alberta and B.C. governments about the Principal Group of Companies, including FIC, from his colleagues who attended the 1981 and 1984 Trust Company Administrators Conferences. The second is that New Brunswick, an active participant in the 1969 Federal-Provincial Report on Mutual Funds and Investment Contracts, knew that the manner in which Alberta

regulated investment contracts was problematic and required its independent scrutiny.

D) Fraud

The allegation of fraud by FIC and other Principal Group companies is as yet an unresolved factor in the Principal Group's collapse. This Office's investigation concludes that, with a single exception, any deceptions the Administrator's office may have laboured under were its fault. FIC did make the erroneous statement in 1979 that it had always been exempt from prospectus requirements.155 As a result, it requested that it be permitted to continue with this exemption. A request such as this did not, however, justify the Administrator's breach of the Securities Act by permitting FIC to be exempt from prospectus requirements.

The most significant contraventions of the Securities Act were carried out with the full knowledge and sometimes the inadvertent encouragement of the Administrator's office.

It is noted that the Province of New Brunswick appointed Mr. Cy Oram, the retired Rothesay Regional Police Chief, to conduct a wide-ranging inquiry into alleged illegal activities by salespersons employed by PCL. At the conclusion of Mr. Oram's work, a follow-up investigation by the Moncton and Fredericton City Police Departments and consultation with the Office of the

Attorney General, it was concluded that no criminal proceedings should be instituted against any PCL employee.156

The clearest and most unhappy reflection of the bona fides of the Principal Group is the significant personal financial losses suffered by each of the senior PCL employees in New Brunswick.157

One concludes that the allegation of fraud by the Principal Group is unsupported.

E) Lack of Complaints

A recurring response enunciated by the Government of New Brunswick was that the Administrator could only investigate when complaints were received from investors. There is no legislative basis for this position; conversely, the Securities Act contains a number of provisions which permitted the Administrator to take a proactive position. The Assistant Deputy Minister of Justice set out the following role of the Administrator in a letter to the Minister of Justice on November 9, 1987:

> We would certainly agree the role is not (should not be) passive and regardless of who has responsibility the Government should be assured that the matter receives a full review.158

It is important to note that the breaches which enabled FIC to continue operations in New Brunswick were made or acquiesced in by the Administrator's office. One of the initial responses of the Administrator's office was that:

> Until there's a complaint, however, the province has no way of knowing whether a company is selling the security without a license.159

This was an inappropriate response in an instance where the Administrator's office was aware that FIC was not registered as a security issuer.

One is unaware of any effort having been undertaken by the Department of Transportation to bring the services to be provided by the Administrator's office to the attention of the New Brunswick public. Conversely, one notes that the address and telephone number of the office of the Administrator was listed under "Department of Transportation" in the New Brunswick Telephone Co. Directory for Saint John City only. Moreover, it has been asserted that telephone calls directed to the Administrator's office elicited the response of "Public Utilities Board" from the Administrator's receptionist.160

Finally, in assessing the appropriateness of citing the lack of complaints as a basis for governmental inaction with respect

to FIC, reference is made to pages 92-98 above, regarding the response by senior public servants to concerns raised by the sale of FIC investment contracts in New Brunswick.

One may conclude that an investor's complaint, citing the lack of financial information or of a prospectus, would be repetitious of what the Administrator should already know. It would be wrong to conclude, as the Province has suggested, that the Administrator's office bore responsibility only for those acts of non-compliance which were pointed out to it by investors.

F) Insufficient Legislation

The 1987 version of the Securities Act was not an example of state of the art legislation. However, as this Report points out, its requirements were sufficient to prevent the continued registration/certification of a company such as FIC. The finest legislation would have been meaningless if it were not followed by its regulators. While improved legislation might have provided a greater sense of comfort to investors, the effect would have been illusory without a genuine commitment to the legislation by the Government of New Brunswick.

G) Investor Responsibility

The Province of New Brunswick has stated that it could not guarantee every investor's money. In the case of FIC, this claim is not being made. The assertion is that the responsibility of

the New Brunswick Government for the financial losses suffered by purchasers of FIC investment contracts is not related only to the failure of FIC. Rather, it is based to a very significant extent on the action and inaction of the Province of New Brunswick. The Province permitted FIC to operate in this Province without properly administering the legislative registration and certification prerequisites of the Securities Act and without requiring FIC to make a full statutory disclosure of its financial status. One of the primary purposes of the Securities Act was to ensure that investors could make informed choices about a prospective investment. Governmental action and inaction precluded New Brunswick's FIC investment contract purchasers from having access to this information. Apart from the responsibility already established and accepted by the legal representations of the Principal Group of Companies and the Province of Alberta, it is concluded that the financial losses of FIC's investment contract purchasers are also directly attributable to such administrative shortcomings.

V. Findings

7. The period from 1984 to 1987 has been identified as a period throughout which the financial records of FIC reveal that it was in an insolvent position. The public record also indicates that the majority of investment contracts outstanding on June 30, 1987 were single pay instruments purchased after 1984. The public record also discloses that

these investment contract purchasers, including the complainants, would not have suffered financial loss had the requirements of Alberta's Investment Contracts Act been enforced in New Brunswick in 1984 and subsequent years, pursuant to the N.B. Securities Act and the 1960 Covenant.

8. The Covenant entered into between FIC and the Administrator of the Securities Act in 1960 was no longer being enforced during the period 1984-1987. Specifically, the Administrator's office was no longer enforcing the following conditions imposed upon FIC by the 1960 Covenant:

   a) compliance by the company with the Alberta Investment Contracts Act, including the requirement that it maintain assets in a Canadian bank or trust company sufficient to meet its obligations to contract holders;

   b) the filing of quarterly statements of the company;

   c) the filing of the balance sheet and profit and loss statements of the company;

   d) the filing of the prospectuses of the company; and

   e) the administration of the 60-day "cooling off" period for the rescission of an investment contract between the company and a purchaser (complementary to s. 16 of the Securities Act).

9. The governmental authorities charged with the administration of the Securities Act during at least the period 1984 to 1987 abdicated their responsibilities under the Securities Act by their reliance on National Policy No. 1. Although these authorities may have been aware of the prerequisites of investment contract regulation, they erroneously relied completely and unequivocally on the Government of Alberta to regulate FIC. The Acting Administrator during the relevant period frankly stated that he had no knowledge or awareness of the Alberta Investment Contracts Act and also relied totally on the Government of Alberta for the regulation of FIC. The statutorily unauthorized destruction of files by the governmental authorities may have contributed to such lack of knowledge.

10. One of the governmental authorities charged with the administration of the Securities Act during at least the period from 1984 to 1987 cited a lack of resources as a basis for the non-regulation of companies that were subject to the Securities Act. While no conclusion is made with respect to the adequacy of resources of the Administrator's office, it is found that no formal request for additional resources was made to the Board of Management. Moreover, neither the Administrator nor the Acting Administrator during the relevant period utilized the substantially self-

financing regulatory mechanisms provided under the Securities Act.

11. One of the governmental authorities responsible for the administration of the Securities Act during at least the period from 1984 to 1987 - the Department of Transportation - lacked any expertise to guide the Administrator's office.

12. During at least the period from 1984 to 1987, the organizational prerequisites of the Administrator's office were chaotic. The persons who actually administered the Securities Act were concurrently executing Public Utilities Board functions that were not congruent with their duties under the Securities Act.

13. The registration/certification situation pertaining to First Investors Corporation Ltd. during the period from 1984 to 1987 resulted primarily from error and lack of knowledge by governmental authorities. FIC had been issued a security issuer and broker (non-brokerage) registration under the terms of the 1960 Covenant. This registration was continuously renewed until February 1, 1987. On that date, a governmental authority incorrectly advised FIC that it did not require a security issuer registration.

14. The failure to register correctly PCL in New Brunswick during the period from 1984 to 1987 was primarily the result of an error or omission on the part of governmental authorities. In its 1984 renewal application, PCL had specifically indicated to the Administrator that the purpose of the application was to obtain a broker (general) registration. However, the broker registration subsequently issued to it was incorrectly restricted to the sale of mutual funds.

15. The sale of FIC investment contracts by the manager of the Principal Group's Moncton office was allowed to continue through error or omission on the part of governmental authorities. This manager, referred to by the company's District Manager as its leading investment contract salesperson during the busiest sales period (February-March, 1987) of FIC, sold investment contracts without a salesman's license between October 31, 1986 and March 3, 1987.

16. The complainants are predominently elderly and substantially financially dependent on the retirement income they earned from investment contracts sold by FIC. The complainants were not speculators. Rather, they have been accurately described as depositors in what they had legitimate reason to expect, by the governmentally-imposed financial protections of their

investment contracts, was a financially responsible and competently regulated financial institution.

END NOTES

1. Memo, 26 September, 1989, Mr. R. Scammell, Assistant Deputy Minister of Justice to The Hon. J. Lockyer, Minister of Justice. (Appendix Q-14.18)

2. Fax, 14 November, 1989, Petition under Ombudsman Act - New Brunswick Principal Group Investors Committee to the Ombudsman. (Appendix U-1.11)

3. Letter, 1 March, 1990, Mr. J. McNiven of McNiven, Kelly & O'Neil to Mr. C. Ferris, Office of the Ombudsman. (Appendices U-1.7 and N-2.1)

4. Mr. Oram's investigative file contains many eloquent testaments to this conclusion (Appendix M-6). See also Appendices P-2 (Investor Files, Department of Justice) and Q-5 (File # 9-0315).

5. Appendix D, p. vi-vii.

6. Henry Campbell Black, Black's Law Dictionary, 5th ed. by Joseph R. Nolan and M.J. Connolly (St. Paul, Minn.: West Publishing, 1979), p. 1216.

7. Ibid., p. 741.

8. Report of the Canadian Committee on Mutual Funds and Investment Contracts (Joint Federal and Provincial Study, 1969), p. 648. (Appendix U-1.15)

9. Investment Contract Act, R.S.A. 1980, c. I-10, s. 1(c); Investment Contracts Act, R.S.O. 1980, c. 221, s. 1(b); The Investment Contracts Act, R.S.S. 1978, c. I-14, s. 2(b); Investment Contract Act, R.S.B.C. 1979, c. 207, s.1; The Securities Act, R.S.M. 1970, c. S50, s. 153; The Investment Contracts Act, R.S.Nfld 1970, c. 184, s. 2(b); Securities Act, R.S.Q. 1977, c. V-1.1, s. 1. (Appendix I)

10. Final Report of the Inspector William E. Code, Q.C. (July 18, 1989), pp. 341-3. (Appendix A)

11. See supra, e.n. 9.

12. Report of the Canadian Committee on Mutual Funds and Investment Contracts (Joint Federal and Provincial Study, 1969), Chapter XVII, Investment Contracts. (Appendix U-1.15)

13. Charles McAllister, "Securities Regulation in New Brunswick" (Internal report prepared for the Department of Justice, July 1985), p. 2. (Appendix U-1.13)

14. Synoptic Reports of the Legislative Assembly of New Brunswick, 1923, p. 233. (Appendix I)

15. Synoptic Reports, 1910, p. 19 and Public Utilities Act, S.N.B. 1910, c. 5, s. 2. The Public Utilities Act was passed at a time when public utilities were becoming increasingly important in New Brunswick. Parallel to the growth of public utilities were growing fears that the Province's inhabitants would become powerless to affect the rates and services of utilities. These fears in turn arose from a wider public suspicion surrounding the growth of large business concerns which characterized the expansion of the industrial economy in Canada and the United States in the early 20th Century. The government's response to these fears was the creation of a regulatory agency in the form of the Public Utilities Board. (Appendix H)

16. Synoptic Reports, 1910, pp. 19-20. (Appendix H)

17. Ibid., 1911, p. 20. (Appendix H)

18. Report of the Board of Commissioners for Public Utilities, for the year ending April 30, 1924, p. 97; for the year ending April 30, 1934, p. 60; for the year ending December 31, 1949, p. 230; and for the year ending December 31, 1948, pp. 138-40. (Appendix L) [On August 20, 1990, this Office telephoned Mr. D. Smith, Administrator of the Securities Act. While he was unable to give our Office precise figures, Mr Smith confirmed that Saint John remained the centre for securities-related activity in the Province.]

19. Sale of Securities Act, S.N.B. 1923, c. 19, s. 2. (Appendix I)

20. Synoptic Reports, 1923, p. 181 and ibid., ss. 4 and 3. (Appendix I)

21. Sale of Securities Act, s. 9. (Appendix I)

22. See Security Frauds Prevention Act, R.S.N.B. 1973, c. S-6, ss. 5-8. (Appendix I)

23. Sale of Securities Act, S.N.B. 1923, c. 19, ss. 7, 13, 15, and 16. (Appendix I)

24. Ibid., s. 14. (Appendix I)

25. Ibid., ss. 2 and 17. (Appendix I)

26. Ibid., s. 22. (Appendix I)

27. Report of the Board of Commissioners for Public Utilities, for the two years ending April 30, 1926, p. 50. (Appendix L)

28. Ibid., for the year ending April 30, 1924, pp. 97-99. (Appendix L)

29. Sale of Securities Act, S.N.B. 1923, c. 19, ss. 7, 20, and 23 (Appendix I) and Minute-of-Council of New Brunswick, 1923, p. 115. (Appendix K-2.2)

30. Report of Public Utilities Board, for the year ending April 30, 1924, p. 98. (Appendix L)

31. Public Utilities Act, S.N.B. 1910, c. 5, ss.3, 4 and Public Utilities Act, S.N.B. 1988, c. P-27, s. 9. (Appendix H)

32. Sale of Securities Act, S.N.B. 1931, c. 44, s. 26. (Appendix I)

33. Report of Public Utilities Board, for the year ending April 30, 1935, pp. 39-42. (Appendix L)

34. McAllister, p. 2; Security Frauds Prevention Act, S.N.B. 1935, c. 11, ss. 3 and 2(d), (1); and Regulation, 1935, v. 93, p. 97. (Appendices U-1.13, I and K-2.7)

35. Synoptic Reports, 1935, p. 271. (Appendix I)

36. Security Frauds Prevention Act, S.N.B. 1935, c. 11, s. 2(d), (1). (Appendix I)

37. Security Frauds Prevention Act, Regulation, 1935, N.B. Royal Gazette, 19 June, 1935, v. 93, p. 97. (Appendix K-2.7)

38. Security Frauds Prevention Act, S.N.B. 1935, c. 11, ss. 22-28. (Appendix I)

39. Security Frauds Prevention Act, S.N.B. 1935, c. 11, s. 2(g). (Appendix I)

40. Public Utilities Act, S.N.B. 1910, c. 5, s. 2 and Public Utilities Act, R.S.N.B. 1927, c. 127, s. 3(1). (Appendix H)

41. Security Frauds Prevention Act, S.N.B. 1935, c.11, ss. 6-10 and Regulation, 1935, N.B. Royal Gazette, 19 June, 1935, v. 93, p. 97. (Appendices I and K-2.7)

42. Security Frauds Prevention Act, Regulation, 1935, N.B. Royal Gazette, 19 June, 1935, v. 93, p. 97 (Appendix K-2.7); N.B. Regulation 53-322, N.B. Royal Gazette, 6 May, 1953, v. 111, p. 129 (Appendix K-2.27); and N.B. Regulation 84-128, ss. 2, 7, 11. (Appendix K-2.42)

43. Security Frauds Prevention Act, 1952, Regulation 53-322; Order-in-Council, 1953, p. 322. (Appendix K-2.27)

44. Synoptic Reports, 1936, p. 143 and 1954, p. 277. (Appendix I)

45. Security Frauds Prevention Act, S.N.B. 1935, c. 11, am. S.N.B. 1936, c. 39. (Appendix I)

46. Ibid., R.S.N.B. 1952, c. 205, am. S.N.B. 1954, c. 75. (Appendix I)

47. Ibid., R.S.N.B. 1952, c.205, s. 1(f). (Appendix I)

48. Ibid., s. 13. (Appendix I)

49. Ibid., ss. 13(3), 13(8), 9(3), 14(6). These provisions remain in the present Act as, respectively, ss. 13(3), 13(10), 9(3), 17(10). (Appendix I)

50. Covenant between FIC and the New Brunswick Government. Attached to FIC certificate of registration as broker and securities issuer, FIC securities issuer file, obtained from Mr. John McNiven of McNiven, Kelly & O'Neil, special counsel to the Code Inquiry for Eastern Canadian investors (Appendix N-1.2). See also pages 56-61 of this Report.

51. Security Frauds Prevention Act, 1952, Regulation 53-322, Order-in-Council, 1953, p. 322. (Appendix K-2.27)

52. Security Frauds Prevention Act, S.N.B. 1952, am. 1955, c. 73, s. 14A and McAllister Report, p. 1. (Appendices I and U-1.13)

53. Security Frauds Prevention Act, S.N.B. 1952, c. 11 am., S.N.B. 1957, c. 58. (Appendix I)

54. Ibid., as am., S.N.B. 1960, c. 67. (Appendix I)

55. Ibid., as am., S.N.B. 1961, c. 68 and Synoptic Reports, 1960-61, pp. 172-4, 703-5, 714. (Appendix I)

56. Report of the Acting Administrator under the Security Frauds Prevention Act, R.S.N.B. 1952, c. 205, Nov. 30, 1960. (Appendix L)

57. Ibid., pp. 3-7. (Appendix L)

58. Ibid., p. 30. (Appendix L)

59. Ibid., p. 23. (Appendix L)

60. Ibid., p. 50. (Appendix L)

61. Ibid., pp. 26-27. (Appendix L)

62. Ibid., p. 50. (Appendix L)

63. Ibid., pp. 45-51. (Appendix L)

64. Security Frauds Prevention Act, R.S.N.B. 1952, c. 73, s. 1(f): "primary distribution to the public" referred to a company's securities not previously distributed. (Appendix I)

65. Ibid., am., S.N.B. 1963, c. 38. (Appendix I)

66. Ibid., am., S.N.B. 1965, c. 36 and Synoptic Reports, 1965, p. 714. (Appendix I)

67. Ibid. (Appendix I)

68. Report of the Canadian Committee on Mutual Funds and Investment Contracts, p. v. (Appendix U-1.15)

69. Order-in-Council, 1967, p. 1179. (Appendix K-1)

70. Report of the Canadian Committee on Mutual Funds and Investment Contracts, pp. 680-1. (Appendix U-1.15)

71. Ibid., pp. 683-5. (Appendix U-1.15)

72. Ibid., pp. 703-9. (Appendix U-1.15)

73. An Act Respecting Compliance of the Laws of the Province with the Canadian Charter of Rights and Freedoms, 1986, S.N.B. 1986, c. 6. (Appendix I)

74. Order-in-Council, 1978, p. 786. (Appendix K-2.40)

75. Order-in-Council, 1989, p. 166. (Appendix K-2.48)

76. Security Frauds Prevention Act, N.B. Reg. 84-128. (Appendix K-2.42)

77. Memorandum to Cabinet, August 3, 1978. (Appendix Q-4.15)

78. Memorandum, 9 November, 1987, Mr. R. Scammell, Assistant Deputy Minister of Justice, to The Hon. J. Lockyer, Minister of Justice. (Appendix Q-3.22)

79. Securities Regulation in New Brunswick, July, 1985, by Charles McAllister, Director of Corporate and Trust Affairs. (Appendix U-1.13)

80. Charles McAllister, The New Brunswick Securities Act: Selection of a Model Act to Follow (Background Paper prepared for the Department of Justice, revised December, 1985), pp. 4-5. (Appendix U-1.14)

81. Ibid., pp. 2-4. (Appendix U-1.14)

82. Public Utilities Act, 1910, ss. 3 and 4. (Appendix H)

83. Ibid., 1988, ss. 4 and 9. (Appendix H)

84. Sale of Securities Act, 1923, s. 14. (Appendix I)

85. Security Frauds Prevention Act, R.S.N.B. 1973, c. S-6, s. 25(2). (Appendix I)

86. Ibid., 1935, s. 22 and R.S.N.B. 1973, s. 29. (Appendix I)

87. New Brunswick Public Accounts, 1978, pp. 290-7; 1987, pp. 380-2. (Appendix K-5)

88. Security Frauds Prevention Act, R.S.N.B. 1973, ss. 5, 6, and 13. (Appendix I)

89. Ibid., s. 13. (Appendix I)

90. Ibid., ss. 21, 25, 29-32. (Appendix I)

91. Ibid., s. 34. (Appendix I)

92. Security Frauds Prevention Act, R.S.N.B. 1973, ss. 25(2),(3) and 30. (Appendix I)

93. Appendices A and B. See esp. Appendix A, pp. 357-373 and Appendix B, pp. 165, 169.

94. Security Frauds Prevention Act, R.S.N.B. 1952, am. 1955. (Appendix I)

95. Covenant between F.I.C. and the New Brunswick Government. Attached to F.I.C. Certificate of Registration as broker and securities issuer, F.I.C. securities issuer file, obtained from Mr. J. McNiven of McNiven, Kelly & O'Neil, special counsel to the Code Inquiry for Eastern Canadian Investors.

(Appendix N-1.2)

96. See supra. (Appendix N-1.2)

97. See Supra. (Appendix N-1.2)

98. Report of the Canadian Committee on Mutual Funds and Investment Contracts (Joint Federal and Provincial Study, 1969), Chapter XVII, Investment Contracts. (Appendix U-1.15)

99. Letter, 15 December, 1987 from Mr. D. Smith, Administrator to Mr. J. E. White, investor. (Appendix P-2.22)

100. Interview, 30 August, 1990, between Mr. C. Ferris, Office of the Ombudsman and Mr. David Nicholson, Chair, Public Utilities Board, Saint John. (Appendix U-3.5)

101. Letter, 7 April, 1960, from Mr. G. Earle Logan, Administrator of the Securities Act, to Mr. Jack W. Kennedy of Cormie, Kennedy, Crawford, Harvie & Fitch. (Appendix M-8.1)

102. Covenant between F.I.C. and the New Brunswick Government. Attached to F.I.C. Certificate of Registration as broker and securities issuer, F.I.C. securities issuer file, obtained from Mr. J. McNiven of McNiven, Kelly & O'Neil, special counsel to the Code Inquiry for Eastern Canadian Investors (Appendix N-1.2). See also pages 33-34 of this Report.

103. Letter, 14 November, 1960, from Mr. D. Dickson, Assistant Registrar, to Mr. E. N. McKelvey of McKelvey, Macaulay, Machum and Fairweather. (Appendix N-1.2)

104. Letter, 15 November, 1960, from Mr. R. G. L. Fairweather, of McKelvey, Macaulay, Machum and Fairweather, to Mr. J. Kennedy, of Cormie, Kennedy, Crawford, Harvie & Fitch. (Appendix N-1.3)

105. Interview, 30 August, 1990, between Mr. C. Ferris, Office of the Ombudsman, and Mr. D. Sanders, former Acting Administrator, and Mr. D. Nicholson, Chair, Public Utilities Board, Saint John. (Appendix U-3.5)

106. Interviews, 13 December, 1989; 6 March and 28 August, 1990, with Mr. D. Smith, Administrator; interview, 30 August, 1990, between Mr. C. Ferris, Office of the Ombudsman, and Mr. D. Sanders, former Acting Administrator, and Mr. D. Nicholson, Chair, Public Utilities Board, Saint John. (Appendices U-3.1, U-3.5)

107. Salesman File Card, For Stone, Richard, Allan, found in the Administrator's Files. (Appendix M-4.17, M-4.18 and M-4.19)

108. Letter, 25 January, 1979 from Mr. R. Kallir, FIC Legal Counsel to the Office of the Administrator, in which FIC requested continued exemption from prospectus requirements. The 1980 Security Issuers certificate indicated no prospectus. (Appendix M-2.1)

109. Letter, 2 May, 1988, from Mr. J. McNiven, of McNiven, Kelley & O'Neil to Mr. R. Scammell, Assistant Deputy Minister, Department of Justice. (Appendix Q-8.3, Q-11.6)

110. Letter, 14 January, 1987, from Ms. A. Smith, Legal Department, FIC to Administrator. (Appendix N-1.46)

111. Letter, 27 January, 1987, from Mr. D. Sanders, Acting Administrator to Ms. A. Smith, Legal Department, FIC. (Appendix N-1.47)

112. Memo, 2 July, 1987, from Mr. G. Elliott, Financial Analyst to Mr. C. McAllister, Director of Corporate and Trust Affairs, Department of Justice. (Appendix Q-7.2, P-13.9)

113. Memo, 1 February, 1990, from Mr. D. Smith, Administrator to Mr. R. Scammell, Assistant Deputy Minister of Justice. (Appendix Q-9.1)

114. Appendix M-1.6 and M-1.7.

115. Appendix M-1.8.

116. Letter, 18 September, 1986, from Ms. A. Smith, Legal Department, Principal to Administrator. (Appendix M-1.12)

117. Appendix M-1.1.

118. Letter, 5 November, 1986, from Ms. A. Smith, Principal Group Ltd., Legal Department to Mr. D. Sanders, Deputy Administrator. (Appendix M-1.16)

119. Memo, 2 July, 1987, from Mr. G. Elliott, Financial Analyst to Mr. C. McAllister, Director of Corporate and Trust Affairs, Department of Justice. (Appendix Q-7.2, P-13.9)

120. Letter, 25 January, 1979, from R. Kallir, FIC Legal Counsel to Office of the Administrator (Appendix M-2.1). See also Security Issuer Registration Certificates 80-8 ff. (Appendix N-1.14 ff.)

121. Letter, 21 July, 1987, from Mr. C. McAllister, Director of Corporate and Trust Affairs to Mr. D. Sanders, Acting Administrator. (Appendix P-32.3)

122. Interview, 21 August, 1990, between Mr. C. Ferris and Mr. M. Walsh, Moncton. (Appendix T-6.1)

123. Appendix M-4.18, M-4.19.

124. Letter, 30 January, 1987, from Mr. D. Sanders, Deputy Administrator to Mr. Richard Stone. (Appendix M-4.17)

125. Memo, 18 November, 1987, from Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. W. Connor, Deputy Minister of Justice. (Appendix Q-20.1)

126. Memo, 11 December, 1987, from Mr. P. MacNutt, Legal Services Division to Mr. R. Burns, Director of Legal Services, Department of Justice. (Appendix Q-5.2)

127. The Memo of 14 March, 1988 was not made available to this Office; however, reference is made to it in a memo of 29 May 1989 from Mr. P. MacNutt, Legal Services Division to Mr. P. LeBreton, Deputy Minister of Justice. (Appendix Q-3.8)

128. Letter, 28 March, 1988, from Mr. J. McNiven, of McNiven, Kelly & O'Neil to Mr. R. Scammell, Assistant Deputy Minister of Justice. (Appendix Q-8.5)

129. Letter, 30 March, 1988, from Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. J. McNiven of McNiven, Kelly and O'Neil. (Appendix Q-8.4)

130. R.S.N.B. 1973, c. A-11.1, s. 8. The Records Schedules are found in Appendix U-1.18.

131. R.S.N.B. 1973, c. P-24, s. 1. The Records Schedules are found in Appendix U-1.18.

132. Memo, 17 August, 1987, from The Hon. D. Clark, Minister of Justice to The Hon. R. Hatfield, Premier. (Appendix P-12.3)

133. Letter, 1 October, 1987, from The Hon. R. McCready, Minister of Transportation to Mr. B. Carroll, Chair, N.B. Principal Investors Group. (Appendix O-1.2)

134. Letter, 9 April, 1990, Mr. D. Smith, Administrator to Mr. C. Ferris, Office of the Ombudsman. (Appendix U-1.5)

135. Ibid. (Appendix U-1.5); Interview, 30 August, 1990, with Mr. D. Nicholson, Chair, Public Utilities Board and Mr. D. Sanders, former Acting Administrator, Security Frauds Prevention Act. (Appendix U-3.5)

136. Fax, 19 November, 1990, Mr. D. Sanders, former Acting Administrator to Mr. C. Ferris, Office of the Ombudsman, enclosing letter, 17 October, 1986, from Mr. D. Nicholson, Chair, Public Utilities Board to Mr. R. D. MacIntosh, Executive Director, Administration and Policy Division, Department of Transportation. (Appendix U-1.1)

137. Order-in-Council 86-791, 24 September, 1986. (Appendix K-2.45)

138. Interview, 30 August, 1990, with Mr. D. Nicholson, Chair, Public Utilities Board and Mr. D. Sanders, former Acting Administrator, Security Frauds Prevention Act. (Appendix U-3.5)

139. Letter, 9 November, 1987, from Mr. R. Scammell, Assistant Deputy Minister of Justice to The Hon. J. Lockyer, Minister of Justice. (Appendix Q-3.22)

140. Ibid. (Appendix Q-3.22)

141. Interview, 5 April, 1990, between Mr. C. Ferris, Office of the Ombudsman and Mr. C. McAllister, Director of Corporate and Trust Affairs, Department of Justice, Fredericton. (Appendix U-3.2)

142. Draft Response to Investors Questions, 11 September, 1987, from The Hon. D. Clark, Minister, Department of Justice to The Hon. R. McCready, Minister, Department of Transportation. (Appendix P-23.4)

143. Letter, 25 January, 1979, from R. Kallir, FIC Legal Counsel to Office of the Administrator (Appendix M-2.1). See also Security Issuer Registration Certificates 80-8 ff. (Appendix N-1.14 ff.)

144. Letter, 21 July, 1987, from Mr. C. McAllister, Director of Corporate and Trust Affairs to Mr. D. Sanders, Acting Administrator. (Appendix P-32.3)

145. Interviews, between Mr. C. Ferris, Office of the Ombudsman and Mr. C. McAllister, Director of Corporate and Trust Affairs (Fredericton, 5 April, 1990); and Mr. D. Nicholson, Chairman, Public Utilities Board (Saint John, 30 August, 1990); and Mr. R. Richard, Superintendent of Insurance (Fredericton, 9 April, 1990). (Appendices U-3.2, U-3.5, U-3.3)

146. Letter, 9 November, 1987, from Mr. R. Scammell, Assistant Deputy Minister, Department of Justice to The Hon. J. Lockyer, Minister of Justice. (Appendix Q-3.22)

147. Newspaper article, The Times Transcript, Moncton, 18 October, 1989. (Appendix U-2.1)

148. Letter, 15 December, 1987, from Mr. D. Smith, Administrator to Mr. J. White, investor. (Appendix P-2.22)

149. Letter, 18 November, 1987, from Mr. R. Scammell, Assistant Deputy Minister, Department of Justice to Mr. W. Connor, Acting Deputy Minister of Justice. (Appendix Q-20.1)

150. Letter, 1 October, 1987, from The Hon. R. McCready, Minister of Transportation to Mr. B. Carroll, Chair, N.B. Principal Investors Group. (Appendix O-1.2)

151. Article, Report on Business Magazine, Toronto, October, 1987, p. 44. (Appendix M-3.17)

152. Telephone interview, 29 August, 1990, between Mr. C. Ferris, Office of the Ombudsman and Mr. W. P. MacMurray, former Administrator; interview, 30 August, 1990, between Mr. C. Ferris and Mr. D. Sanders, former Acting Administrator, Saint John. (Appendices U-3.4, U-3.5)

153. Appendix F, p. 58-70.

154. 1970-71 Annual Report of Department of Provincial Secretary, p. 38. (Appendix L)

155. Letter, 25 January, 1979, from Mr. R. Kallir, FIC Legal Counsel, Principal Group to the Office of the Administrator. (Appendix M-2.1)

156. Appendix M-6 and interview, 13 December, 1989 between Mr. C. Ferris, Office of the Ombudsman and Mr. D. Smith, Administrator, Saint John (Appendix U-3.1). See also Appendix Q-3.12 and Q-3.13 regarding the similar results of a Moncton City Police Investigation.

157. Interviews between Mr. C. Ferris, Office of the Ombudsman and Ms. M. McNally, 6 March, 1990; Mr. A. Currie, 14 March, 1990; Mr. B. MacLeod, 26 March, 1990; Mr. N. LeBlanc, 27 March, 1990; Mr. R. Stone, 2 August, 1990; Mr. M. Walsh, 21 August, 1990. (Appendix T)

158. Letter, 9 November, 1987, from Mr. R. Scammell, Assistant Deputy Minister of Justice to The Hon. J. Lockyer, Minister of Justice. (Appendix Q-3.22)

159. Newspaper Editorial, The Daily Gleaner, Fredericton, August 31, 1987 (Appendix M-3.14); Newspaper Article, August, 1987. (Appendix M-3.4)

160. Interview, 21 August, 1990, between Mr. C. Ferris, Office of the Ombudsman, and Mr. M. Walsh, Moncton. (Appendix T-6.1)

TABLE OF APPENDICES*

* [The documents below that are denoted with an asterisk contain personal information and may only be examined upon consent of the private person concerned.]

APPENDIX A

Final Report of the Inspector William E. Code, Q.C., Calgary, Alberta, July 18, 1989.

APPENDIX B

Special Report "The Role of the Provincial Government in the Regulation of The Principal Group of Companies", Office of the Ombudsman, Province of Alberta, 1989.

APPENDIX C

Report to the Minister, "In the Matter of the Trade Practice Act, R.S.B.C. 1979, c. 406 AND In the Matter of First Investors Corporations Ltd., Associated Investors of Canada Ltd., Principal Consultants Ltd., Principal Savings and Trust Company, and Principal Group Ltd.", Province of British Columbia, October 14, 1987 (with Office summary).

APPENDIX D

The Regulation of AIC Ltd. and FIC Ltd. by the B.C. Superintendent of Brokers (The Principal Group Investigation), Public Report No. 19, Office of the Ombudsman, British Columbia, September, 1989.

APPENDIX E

Special Report on "The Regulation of FIC Ltd. and AIC Ltd. by the Saskatchewan Superintendent of Insurance (The Principal Investigation)", Ombudsman of Saskatchewan (with Office summary).

APPENDIX F

Report, "In the Matter of the Regulation of First Investors Corporation Ltd.", Office of the Ombudsman, Halifax, Nova Scotia, February, 1990 (with Office summary).

APPENDIX G

Principal Financial Group/
C.B.A. New Brunswick Branch Investigation

Table of contents

G-1 Report, Canadian Bar Association.

G-1.1 "Regulating the Regulators, The First Investors-Principal Trust Fiasco", Prepared by George LeBlanc.

G-1.2 Summary of Canadian Bar Association - New Brunswick Branch Report Re Principle Trust - First Investors Investigation.

APPENDIX H

Principal Financial Group
- Legislative Background -

PUBLIC UTILITIES ACT

Table of contents

1910 Public Utilities Act, S.N.B. 1910, c. 5.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1910 at 19-20, 50, 209-210.

1911 Public Utilities Act, am., S.N.B. 1911, c. 55.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1911 at 20, 175.

1912 Public Utilities Act, am., S.N.B. 1912, c. 15.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1912 at 261.

1913 Public Utilities Act, am., S.N.B. 1913, c. 37.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1913 at 16-17, 109-110.

1914 Public Utilities Act, am., S.N.B. 1914, c. 40.

1918 Public Utilities Loan Act, S.N.B. 1918, c. 58.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1918 at 42-43.

1919 Public Utilities Act, am., S.N.B. 1919, c. 61.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1919 at 286-287.

1920 Public Utilities Act, S.N.B. 1920, c. 63.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1920 at 245.

1921 Public Utilities Act, am., S.N.B. 1921, c. 14.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1921 at 83, 98-99, 102.

1927 Public Utilities Act, R.S.N.B. 1927, c. 127.

1928 Public Utilities Act, am., S.N.B. 1928, c. 19.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1928 at 115.

1929 Public Utilities Act, am., S.N.B. 1929, c. 42.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1929 at 15, 58-59.

1930 Public Utilities Act, am., S.N.B. 1930, c. 38.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1930 at 148, 215.

1931 Public Utilities Act, am., S.N.B. 1931, c. 41.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1931 at 159, 209.

1932 Public Utilities Act, am., S.N.B. 1932, c. 33.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1932 at 220.

1935 Public Utilities Act, am., S.N.B. 1935, c. 29.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1935 at 227-228.

1936 Public Utilities Act, am., S.N.B. 1936, c. 28.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1936 at 82, 143-144, 152-153.

1944 Public Utilities Act, am., S.N.B. 1944, c. 25.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1944 at 408, 447-448.

1945 Public Utilities Act, am., S.N.B. 1945, c. 32.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1945 at 287, 314.

1961 Public Utilities Act, am., S.N.B. 1961, c. 64.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1961 at 668, 685, 703-705, 714, 748.

1973 Public Utilities Act, am., S.N.B. 1973, c. 71.
Public Utilities Act, R.S.N.B. 1973, c. P-27.

1975 Public Utilities Act, am., S.N.B. 1975, c. 90.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1975 at 631-632, 2912-2914, 2918.

1976 Public Utilities Act, am., S.N.B. 1976, c. 51.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1976 at 2015, 2075, 2180, 2193.

1979 Supreme and County Merger Act, S.N.B. 1979, c. 41, (s. 103), s. 9(4)(5), 23(2), 25(1).

1980 Supreme and County Merger Act, S.N.B. 1980, c. 32, (s. 29), s. 5(2).

1981 Public Utilities Act, am., S.N.B. 1981, c. 65.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1981 at 4549, 4646, 6558-6562.

1982 Statute Law Amendment Act, S.N.B. 1982, c. 3, (s. 62), s. 4.

1986 Archaic Terminology Act, S.N.B. 1986, c. 4, (s. 45), s. 9(5), 13, 23, 25(1), 25(2), 25(3).

1987 Statute Law Amendment Act, S.N.B. 1987, c. 6, (s. 92), s. 18(2).

Public Utilities Act, am., S.N.B. 1987, c. 49.

1988 Sheriffs Act, am., S.N.B. 1988, c. 42, s. 33, s. 9(4), 18(3).

1989 Public Utilities Act, am., S.N.B. 1989, c. 59.

APPENDIX I

Principal Financial Group
- Legislative Background -

SALE OF SECURITIES ACT, 1923
SECURITY FRAUDS PREVENTION ACT, 1935

Table of contents

1923 Sale of Securities Act, S.N.B. 1923, c. 19.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1923 at 181, 233.

1927 Sale of Securities Act, R.S.N.B. 1927, c. 153.

1929 Sale of Securities Act, am., S.N.B. 1929, c. 44.

1931 Sale of Securities Act, am., S.N.B. 1931, c. 44.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1931 at 159.

1935 Security Frauds Prevention Act, S.N.B. 1935, c. 11.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1935 at 271.

1936 Security Frauds Prevention Act, am., S.N.B. 1936, c. 39.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1936 at 82, 143-144.

1939 Security Frauds Prevention Act, am., S.N.B. 1939, c. 33.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1939 at 255.

1950 Security Frauds Prevention Act, am., S.N.B. 1950, c. 32.

1952 Security Frauds Prevention Act, R.S.N.B. 1952, c. 205.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1952 at 376.

1954 Security Frauds Prevention Act, am., S.N.B. 1954, c. 75.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1954 at 277.

1955 Security Frauds Prevention Act, am., S.N.B. 1955, c. 73.
Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1955 at 407-408, 422-423, 426.

1957 Security Frauds Prevention Act, am., S.N.B. 1957, c. 58.

Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1957 at 494, 529, 560-561.

1960 Security Frauds Prevention Act, am., S.N.B. 1960, c. 67.

Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1960 at 912, 984, 1059, 1161.

1961 Security Frauds Prevention Act, am., S.N.B. 1961, c. 68.

Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1961 at 148-149, 172-174, 668, 685, 703-705, 714, 849-850.

1963 Security Frauds Prevention Act, am., S.N.B. 1963 (2nd Sess.), c. 38.

Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1963 at 271, 283, 377, 431.

1965 Security Frauds Prevention Act, am., S.N.B. 1965, c. 36.

Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1965 at 714, 777, 884, 935.

1971 Security Frauds Prevention Act, am., S.N.B. 1971, c. 63.

Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1971 at 1433, 1476, 1602.

1973 Security Frauds Prevention Act, R.S.N.B. 1973, c. S-6.
Security Frauds Prevention Act, R.S.N.B. 1973, c. D-11.2.

1979 Supreme and County Court Merger Act, S.N.B. 1979, c. 41, (s. 113), s. 11(3), 21(1), (4), 23(1), 24(2), 37(1), (3), (4), 38, 43.

1980 Supreme and County Court Merger Act, S.N.B. 1980, c. 32, (s. 36), s. 11(3), (1), (2).

1982 Security Frauds Prevention Act, am., S.N.B. 1982, c. 59.

Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1982 at 1542, 1585, 3800-3802, 3867.

1983 Publication of Certain Regulations Act, S.N.B. 1983, c. 8, (s. 32), s. 40(2).

1985 Security Frauds Prevention Act, am., S.N.B. 1985, c. 24.
Statute Law Amendment Act, S.N.B. 1985, c. 4, (s. 62), s. 44(2).

Synoptic Report of the Proceedings of the Legislative Assembly of New Brunswick, 1985 at 68, 71, 840-842, 867.

1986	Archaic Terminology Removal Act, S.N.B. 1986, c. 4, (s. 49), s. 21(1), 23(2), 38. Statute Law Amendment Act, S.N.B. 1986, c. 8, (s. 118), s. 24(3).
1987	Statute Law Amendment Act, S.N.B. 1987, c. 6, (s. 104), s. 4(2), 7(i), 21(4)(c), 24.
1989	Security Frauds Prevention Act, am., S.N.B. 1989, c. 37. Synoptic Report on the Proceedings of the Legislative Assembly, 1989 at 1494, 1556, 2587-2588, 2663-2664.
various dates	Extra-provincial Investment Contracts legislation ('investment contract' defined).

- Investment Contract Act, R.S.A. 1980, c. I-10, s. 1(c);
- Investment Contract Act, R.S.O. 1980, c. 221, s. 1(b);
- The Investment Contracts Act, R.S.S., 1978, c. I-14, s. 2(b);
- Investment Contract Act, R.S.B.C. 1979, c. 207, s. 1;
- The Securities Act, R.S.M. 1970, c. S50, s. 153;
- The Investment Contracts Act, R.S.Nfld 1970, c. 184, s. 2(b);
- Securities Act, R.S.Q. 1977, c. V-1.1, s. 1.
- Securities Act, R.S.O. 1980, c. 466, s. 1.

APPENDIX J

Principal Financial Group
- Legislative Background -

TRUST COMPANIES ACT; TRUSTEES ACT; TRUST, BUILDING AND LOAN COMPANIES LICENSING ACT AND LOAN AND TRUST COMPANIES ACT. (1952 -)

Table of contents

1952	Trust Companies Act, R.S.N.B. 1952, c. 237.
	Trust Companies Licensing Act, R.S.N.B. 1952, c. 238.
	Trustees Act, R.S.N.B. 1952, c. 239.
1955	Trustees Act, am., S.N.B. 1955, c. 80.
1959	Trustees Act, am., S.N.B. 1959, c. 76.
1962	Trustees Act, am., S.N.B. 1962, c. 34.
1964	Trustees Act, am., S.N.B. 1964, c. 58.
1965	Trust Companies Act, am., S.N.B. 1965, c. 43.
	Trustees Act, am., S.N.B. 1965, c. 44.
1966	Trust Companies Licensing Act, am., S.N.B. 1966, c. 114.
	Trustees Act, am., S.N.B. 1966, c. 115.
1967	Trustees Act, am., S.N.B. 1967, c. 66.
1971	Trust Companies Act, am., S.N.B. 1971, c. 72.
	Trustees Act, am., S.N.B. 1971, c. 73.
1973	Trust, Building and Loan Companies Licensing Act, R.S.N.B. 1973, c. T-13.
	Trust Companies Act, R.S.N.B. 1973, c. T-14.
	Trustees Act, R.S.N.B. 1973, c. T-15.
1975	Trustees Act, am., S.N.B. 1975, c. 63.
1980	Trust, Building and Loan Companies Licensing Act, am., S.N.B. 1980, c. 53.
	Trust Companies Act, am., S.N.B. 1980, c. 54.
1983	Trust, Building and Loan Companies Licensing Act, am., S.N.B. 1983, c. 92.
1984	Trust, Building and Loan Companies Licensing Act, am., S.N.B. 1984, c. 33.
1987	Loan and Trust Companies Act, S.N.B. 1987, c. L-11.2.
	Trust, Building and Loan Companies Licensing Act, am., S.N.B. 1987, c. 61.
1988	Conflict of Laws Rules for Trust Act, S.N.B. 1988, c. C-16.2.
	Loan and Trust Companies Act, am., S.N.B. 1988, c. 65.
1989	Loan and Trust Companies Act, am., S.N.B. 1989, c. 21.

APPENDIX K

Principal Financial Group
- Regulations, Orders-in-Council and other Statutory Documents -

Table of contents

K-1	Public Utilities Act
1910	Minute of Council, 10-100, 12 April, 1910.
	Minute of Council, 10-111, 1 May, 1910.
	Minute of Council, 10-143, June, 1910.
1920	Minute of Council, 20-121, 20 April, 1920.
	Minute of Council, 20-314, 1 May, 1920.
1921	Minute of Council, 21-190, 1 May, 1921.
1922	Minute of Council, 22-222, 1922.
	Minute of Council, 22-297, 1922.
1923	Minute of Council, 23-3, 1923.
	Minute of Council, 23-87, 1923.
	Minute of Council, 23-264, 12 September, 1923.
	Minute of Council, 23-267, 1923.
1925	Minute of Council, 25-140, 1925.
	Minute of Council, 25-141, 1925.
	Minute of Council, 25-254, 17 July, 1925.
	Minute of Council, 25-259, 1925.
	Minute of Council, 25-388, 1925.
1926	Minute of Council, 26-380, 1926.
1930	Minute of Council, 30-75, 10 April, 1930.
	Minute of Council, 30-78, 10 April, 1930.
	Minute of Council, 30-269, 11 August, 1930.
1931	Minute of Council, 31-89, 26 March, 1931.
	Minute of Council, 31-158, 23 April, 1931.
	Minute of Council, 31-351, 17 September, 1931.
1933	Minute of Council, 33-173, 18 May, 1933.
	Minute of Council, 33-181, 26 May, 1933.
1934	Minute of Council, 34-367, 12 October, 1934.
1935	Minute of Council, 35-205, 10 May, 1935.
1936	Minute of Council, 36-83, 13 February, 1936.
1937	Minute of Council, 37-51, 5 February, 1937.
1938	Minute of Council, 38-584, 16 November, 1938.
1940	Minute of Council, 40-181, 8 June, 1940.
1945	Order-in-Council, 45-292, 15 June, 1945.
	Orders-in-Council, 45-592-3, 1 November, 1945.
1946	Orders-in-Council, 46-15-6, 4 January, 1946
	Order-in-Council, 46-110, 8 February, 1946.
	Order-in-Council, 46-507, 18 July, 1946.
1949	Order-in-Council, 49-346, 14 April, 1949.
1952	Order-in-Council, 52-125, 24 January, 1952.
	Order-in-Council, 52-1569, 18 November, 1952.
	Order-in-Council, 52-1655, 16 December, 1952.

1953	Order-in-Council, 53-5, 6 January, 1953.
	Order-in-Council, 53-187, 5 March, 1953.
1955	Order-in-Council, 55-46, 13 January, 1955.
1959	Order-in-Council, 59-952, 13 November, 1959.
1960	Order-in-Council, 60-674, 18 July, 1960.
	Order-in-Council, 60-675, 18 July, 1960.
	Order-in-Council, 60-919, 27 September, 1960.
	Order-in-Council, 60-920, 27 September, 1960.
	Order-in-Council, 60-1199, 6 December, 1960.
	Order-in-Council, 60-1202, 6 December, 1960.
1962	Order-in-Council, 62-25, 16 January, 1962.
	Order-in-Council, 62-27, 16 January, 1962.
1963	Order-in-Council, 63-452, 20 June, 1963.
1967	Order-in-Council, 67-762, 23 August, 1967.
	Order-in-Council, 67-1179, 20 December, 1967.
	Order-in-Council, 67-1181, 20 December, 1967.
1968	Order-in-Council, 68-688, 30 July, 1968.
1969	Order-in-Council, 69-817, 26 August, 1969.
1970	Order-in-Council, 70-629, 23 September, 1970.
1971	Order-in-Council, 71-39, 20 January, 1971.
1974	Order-in-Council, 74-3, 9 January, 1974.
	Order-in-Council, 74-5, 9 January, 1974.
	Order-in-Council, 74-72, 30 January, 1974.
	Order-in-Council, 74-383, 15 May, 1974.
1975	Order-in-Council, 75-853, 19 November, 1975.
1976	Order-in-Council, 76-69, 21 January, 1976.
	Order-in-Council, 76-293, 21 April, 1976.
	Order-in-Council, 76-755, 13 October, 1976.
	Order-in-Council, 76-780, 27 October, 1976.
	Order-in-Council, 76-832, 17 November, 1976.
1979	Order-in-Council, 79-751, 13 September, 1979.
1980	Order-in-Council, 80-438, 5 June, 1980.
	Order-in-Council, 80-439, 5 June, 1980.
	Order-in-Council, 80-544, 10 July, 1980.
1981	Order-in-Council, 81-432, 4 June, 1981.
1982	Order-in-Council, 82-61, 28 January, 1982.
	Order-in-Council, 82-625, 12 August, 1982.
1983	Order-in-Council, 83-651, 28 July, 1983.
1984	Order-in-Council, 84-139, 7 March, 1984.
1985	Order-in-Council, 85-230, 28 March, 1985.
1986	Order-in-Council, 86-339, 1 May, 1986.
1987	Order-in-Council, 87-217, 25 March, 1987.
	Order-in-Council, 87-730, 19 August, 1987.
	Order-in-Council, 87-934, 21 October, 1987.

Summary - Orders-in-Council under Public Utilities Act

K-2 **The Sale of Securities Act 1923;**
The Security Frauds Prevention Act 1935

K-2.1 The Sale of Securities Act, 1923.
K-2.2 Minute of Council, 23-115, 1923.

K-2.3 Minute of Council 25-144, 1925.
K-2.4 Minute of Council 31-351, 17 September, 1931.
K-2.5 Minute of Council 32-405, 26 October, 1932.
K-2.6 Proclamation of Act, 30 April, 1935, N.B. Royal Gazette, 8 and 15 May, 1935, v. 93, p. 72 and 77.
K-2.7 Security Frauds Prevention Act, 1935, Regulations, N.B. Royal Gazette, 19 June, 1935, v. 93, p. 97.
K-2.8 Notice of List of Salesmen Registered under the Security Frauds Prevention Act as of December 31, 1935, N.B. Royal Gazette, 8 January, 1936, v. 94, p. 6-7.
K-2.9 Notice of List of Salesmen Registered under the Security Frauds Prevention Act as of July 15, 1936, N.B. Royal Gazette, 22 July, 1936, v. 94, p. 132-133.
K-2.10 Notice of List of Salesmen Registered under the Security Frauds Prevention Act as of January 31, 1937, N.B. Royal Gazette, 17 February and 10 March, 1937, v. 95, p. 39 and 53.
K-2.11 Notice of List of Salesmen and Brokers Registered under the Security Frauds Prevention Act as of June 30, 1937, N.B. Royal Gazette, 11 August, 1937, v. 95, p. 145.
K-2.12 List of Brokers and List of Salesmen Registered under the Security Frauds Prevention Act as of January 31, 1938, N.B. Royal Gazette, 26 January, 1938, v. 96, p. 27-28.
K-2.13 List of Brokers and List of Salesmen Registered under the Security Frauds Prevention Act as of June 30, 1938, N.B. Royal Gazette, 20 July, 1938, v. 96, p. 132-33.
K-2.14 List of Brokers and Salesmen Licensed under the Security Frauds Prevention Act (for the year November 1, 1938 to October 31, 1939), N.B. Royal Gazette, 15 March, 1939, v. 97, p. 46-47.
K-2.15 Minutes of Council 40-164, 22 May, 1940
K-2.16 List of Brokers Registered November 1, 1939 to October 31, 1940, N.B. Royal Gazette, 1940, v. 98.
K-2.17 List of Brokers and List of Salesmen Registered Under the Security Frauds Prevention Act, November 1, 1940 to October 31, 1941, N.B. Royal Gazette, 27 November, 1940, v. 99, p. 225.
K-2.18 List of Brokers' Licenses and List of Salesmen's Licenses Issued November 1, 1941, N.B. Royal Gazette, 8 April, 1942, v. 100, p. 61.
K-2.19 Security Frauds Prevention Act, 1935, Regulations, s. 7 (repealed and replaced), N.B. Royal Gazette, 17 April, 1946, v. 104.
K-2.20 List of Brokers and Salesmen Licensed under the Provisions of the Security Frauds Prevention Act and Cancellation (November 1, 1946), N.B. Royal Gazette, 6 November, 1946, v. 104, p. 276.
K-2.21 List of Brokers' and Salesmen's Licenses Under the Security Frauds Prevention Act, Issued November 1, 1947, N.B. Royal Gazette, 10 December, 1947, v. 105, p. 357.

K-2.22 List of Brokers' and Salesmen's Licenses Under the Security Frauds Prevention Act, Issued November 1, 1947 to July 15, 1948, N.B. Royal Gazette, 28 July, 1948, v. 106, p. 210.

K-2.23 Security Frauds Prevention Act - Lists of Licensed Brokers and Licensed Salesmen, N.B. Royal Gazette, 9 November, 1949, v. 107, p. 282.

K-2.24 Security Frauds Prevention Act - Applications for Renewal of Licenses for year 1950-51, N.B. Royal Gazette, 17 January, 1951, v. 109, p. 28-29.

K-2.25 Notice - Brokers' and Salesmen's License expires November 1, 1952, N.B. Royal Gazette, 27 February, 1952, v. 110, p. 76.

K-2.26 Security Frauds Prevention Act - Brokers' and Salesmen's Licenses renewed November 1, 1952, N.B. Royal Gazette, 21 January, 1953, v. 111, p. 20.

K-2.27 Security Frauds Prevention Act, R.S.N.B. 1952, c. 205, Regulations, N.B. Royal Gazette, Order-in-Council 53-322, 6 May, 1953, v. 111, p. 129ff.

K-2.28 Security Frauds Prevention Act, Regulations, N.B. Royal Gazette, Order-in-Council 54-394, 22 September, 1954, v. 112, p. 276.

K-2.29 Security Frauds Prevention Act - Brokers' and Salesmen's license renewals - November 1, 1954 to October 31, 1955, N.B. Royal Gazette, 15 December, 1954, v. 112, p. 355-56.

K-2.30 Order-in-Council 55-313, 5 May, 1955 (re Sections 11, 32A and Form E).

K-2.31 Order-in-Council 55-373, 19 May, 1955.

K-2.32 Security Frauds Prevention Act - Brokers and Salesmen for year from November 1, 1955 to October 31, 1956, N.B. Royal Gazette, 7 March, 1956, v. 114, p. 95.

K-2.33 Security Frauds Prevention Act, Regulations, S. 11, 32A, Forms (amendment), N.B. Royal Gazette, Order-in-Council 55-313, 14 February, 1962, v. 120, p. 60.

K-2.34 Order-in-Council 62-163, 26 February, 1962.

K-2.35 Order-in-Council 63-611, 14 August, 1963.

K-2.36 Security Frauds Prevention Act - Regulation 150, Queen's Printer, Fredericton, 1963.

K-2.37 Security Frauds Prevention Act - Regulation 67-80, Queen's Printer, Fredericton, 1967.

K-2.38 Security Frauds Prevention Act - Regulation 71-121, Queen's Printer, Fredericton, 1971.

K-2.39 Security Frauds Prevention Act - Regulation 71-128, Queen's Printer, Fredericton, 1971.

K-2.40 Order-in-Council 78-786, 6 September, 1978.

K-2.41 Security Frauds Prevention Act - Regulation 84-52, Queen's Printer, Fredericton, 1984.

K-2.42 Security Frauds Prevention Act - Regulation 84-128, Queen's Printer, Fredericton, 1984.

K-2.43 Security Frauds Prevention Act - Regulation 84-243, Queen's Printer, Fredericton, 1984.

K-2.44 Security Frauds Prevention Act - Regulation 84-281, Queen's Printer, Fredericton, 1984.
K-2.45 Order-in-Council 86-791, 24 September, 1986.
K-2.46 Order-in-Council 86-950, 19 November, 1986.
K-2.47 Security Frauds Prevention Act - Regulation 88-93, Queen's Printer, Fredericton, 1988.
K-2.48 Order-in-Council 89-166, 16 March, 1989 (Proclamation).
K-2.49 Security Frauds Prevention Act - Regulation 89-61, Queen's Printer, Fredericton, 1989.
K-2.50 Security Frauds Prevention Act - Regulation 89-85, Queen's Printer, Fredericton, 1989.

Summary - Orders-in-Council under Securities Act.

K-3 Trustees Act

K-3.1 Trustees Act, Regulation 74-200, Queen's Printer, Fredericton, 1974.
K-3.2 Trustees Act, Regulation 84-101, Queen's Printer, Fredericton, 1984.

K-4 Trust, Building and Loan Companies Licensing Act

K-4.1 Trust, Building and Loan Companies Licensing Act, Regulation 74-199, Queen's Printer, Fredericton, 1974.
K-4.2 Trust, Building and Loan Companies Licensing Act, Regulation 80-162, Queen's Printer, Fredericton, 1980.
K-4.3 Order-in-Council 80-901, 30 October, 1980.

K-5 N.B. Public Accounts, Excerpts, 1980, 1984, 1987 (Queen's Printer, Fredericton, N.B.)

APPENDIX L

Principal Financial Group
- Annual Reports -

PUBLIC UTILITIES BOARD, PROVINCIAL SECRETARY, DEPARTMENT OF TRANSPORTATION

Table of Contents

1923-24	Report of the Board of Commissioners of Public Utilities
1924-26	Report of the Board of Commissioners of Public Utilities
1926-27	Report of the Board of Commissioners of Public Utilities
1927-28	Report of the Board of Commissioners of Public Utilities
1928-29	Report of the Board of Commissioners of Public Utilities
1929-30	Report of the Board of Commissioners of Public Utilities
1930-31	Report of the Board of Commissioners of Public Utilities
1931-32	Report of the Board of Commissioners of Public Utilities
1932-33	Report of the Board of Commissioners of Public Utilities
1933-34	Report of the Board of Commissioners of Public Utilities
1934-35	Report of the Board of Commissioners of Public Utilities
1935-36	Report of the Board of Commissioners of Public Utilities
1936-37	Report of the Board of Commissioners of Public Utilities
1937-38	Report of the Board of Commissioners of Public Utilities
1938-39	Report of the Board of Commissioners of Public Utilities
1939-40	Report of the Board of Commissioners of Public Utilities
1940-41	Report of the Board of Commissioners of Public Utilities
1941-42	Report of the Board of Commissioners of Public Utilities
1942-43	Report of the Board of Commissioners of Public Utilities
1943-44	Report of the Board of Commissioners of Public Utilities
1944-45	Report of the Board of Commissioners of Public Utilities

1945-46	Report of the Board of Commissioners of Public Utilities
1946-47	Report of the Board of Commissioners of Public Utilities
1947-48	Report of the Board of Commissioners of Public Utilities
1948-49	Report of the Board of Commissioners of Public Utilities
1949-50	Report of the Board of Commissioners of Public Utilities
1950-51	Report of the Board of Commissioners of Public Utilities
1951-52	Report of the Board of Commissioners of Public Utilities
1952-53	Report of the Board of Commissioners of Public Utilities
1953-54	Report of the Board of Commissioners of Public Utilities
1954-55	Report of the Board of Commissioners of Public Utilities
1955-56	Report of the Board of Commissioners of Public Utilities
1956-57	Report of the Board of Commissioners of Public Utilities
1957-58	Report of the Board of Commissioners of Public Utilities
1958-59	Report of the Board of Commissioners of Public Utilities
1959-60	Report of the Board of Commissioners of Public Utilities
1960-61	Report of the Board of Commissioners of Public Utilities
1960	Report of the Acting Administrator of the Security Frauds Prevention Act upon his investigation into operations and activities of Canam Investments Ltd. et al. (November 30, 1960)
1961-62	Report of the Board of Commissioners of Public Utilities
1962-63	Report of the Board of Commissioners of Public Utilities
1963-64	Annual Report of Department of Provincial Secretary
1964-65	Annual Report of Department of Provincial Secretary
1965-66	Annual Report of Department of Provincial Secretary
1066-67	Annual Report of Department of Provincial Secretary
1967-68	Annual Report of Department of Provincial Secretary
1968-69	Annual Report of Department of Provincial Secretary
1969-70	Annual Report of Department of Provincial Secretary
1970-71	Annual Report of Department of Provincial Secretary
1971-72	Annual Report of Department of Provincial Secretary
1972-73	Annual Report of Department of Provincial Secretary
1973-74	Annual Report of Department of Provincial Secretary
1974-75	Annual Report of Department of Provincial Secretary

1975-76 Annual Report of Department of Provincial Secretary
1976-77 Annual Report of Department of Provincial Secretary
1977-78 Annual Report of Department of Provincial Secretary
1978-79 Annual Report of Department of Transportation
1979-80 Annual Report of Department of Transportation
1980-81 Annual Report of Department of Transportation
1981-82 Annual Report of Department of Transportation
1982-83 Annual Report of Department of Transportation
1983-84 Annual Report of Department of Transportation
1984-85 Annual Report of Department of Transportation
1985-86 Annual Report of Department of Transportation
1986-87 Annual Report of Department of Transportation
1987-88 Annual Report of Department of Transportation
1988-89 Annual Report of Department of Transportation

APPENDIX M

Principal Financial Group
- Governmental Files -

OFFICE OF THE ADMINISTRATOR OF THE SECURITIES ACT

Table of Contents

M-1	Principal Consultants Certificates
M-1.1	Certificate 86-12, 26 November, 1986, for Principal Consultants Ltd. as Broker (Restricted).
M-1.2	Certificate 79-29, 31 October, 1979, for Principal Consultants Ltd. as Broker (General).
M-1.3	Certificate 80-21, 31 October, 1980, for Principal Consultants Ltd. as Broker (General).
M-1.4	Certificate 81-31, 31 October, 1981, for Principal Consultants Ltd. as Broker (Non-Brokerage).
M-1.5	Certificate 82-35, 31 October, 1982, for Principal Consultants Ltd. as Broker (Non-Brokerage).
M-1.6	Certificate 83-16, 24 October, 1983, for Principal Consultants Ltd. as Broker (General).
M-1.7	Certificate 84-30, 19 October, 1984, for Principal Consultants Ltd. as Broker (General).
M-1.8	Certificate 85-35, 28 October, 1985, for Principal Consultants Ltd. as Broker (Restricted).
M-1.9	Certificate 86-12, 15 October, 1986, for Principal Consultants Ltd. as Broker (Restricted).
M-1.10	Letter, 26 February, 1986, Mr. Frederick D. Toole of McKelvey, Macaulay, Machum to the Administrator.
M-1.11	Order, 27 February, 1986, by Mr. W. MacMurray, Administrator.
M-1.12	Letter, 18 September, 1986, Ms. A. Smith, Legal Department, Principal to Administrator.
M-1.13	Letter, 14 October, 1986, Mr. D. McCulloch, Law Department, Principal to Administrator.
M-1.14	Letter, 15 October, 1986, Mr. D. Sanders, Deputy Administrator to Principal Consultants Ltd.
M-1.15	Letter, 23 October, 1986, Mr. D. Sanders, Deputy Administrator to Principal Consultants Ltd.
M-1.16	Letter, 5 November, 1986, Ms. A. Smith, Legal Department, Principal to Mr. D. Sanders, Deputy Administrator.
M-1.17	Certificate 86-12, 26 November, 1986, for Principal Consultants Ltd. as Broker (Restricted).
M-2	Principal Financial Group re First Investors Corporation Ltd. as Broker (Non-Brokerage)
M-2.1	Letter, 25 January, 1979, Mr. R. Kallir, Legal Counsel to Administrator.

M-2.2 Letter, 14 January, 1987, Ms. A. Smith, Legal Department, Principal to Administrator.

M-2.3 Letter, 20 January, 1984, Mr. W. MacMurray, Administrator to Mr. E. Espenberg, Secretary-Treasurer, FIC.

M-2.4 Letter, 24 January, 1984, Mr. E. Espenberg, Secretary-Treasurer, FIC to Mr. W. MacMurray, Administrator.

M-2.5 Certificate 86-14, 26 November 1986, for First Investors Corporation Ltd. as Broker (Restricted).

M-2.6 Certificate 85-15, 31 January, 1985, for First Investors Corporation Ltd. as Security Issuer.

M-2.7 Certificate 83-24, 26 October, 1983, for First Investors Corporation Ltd. as Broker (General).

M-2.8 Letter, 25 January, 1985, Mr. W. MacMurray, Administrator to Mr. E. Espenberg, Secretary-Treasurer, FIC.

M-2.9 Letter, 18 January, 1985, Mr. E. Espenberg, Secretary-Treasurer, FIC to Administrator.

M-2.10 Letter, 26 November, 1986, Mr. D. Sanders, Deputy Administrator to Ms. A. Smith, Principal Consultants Ltd.

M-2.11 Letter, 5 November, 1986, Ms. A. Smith, Legal Department, FIC to Mr. D. Sanders, Deputy Administrator.

M-2.12 Letter, 16 October, 1986, Mr. D. Sanders, Deputy Administrator to Ms. A. Smith, Legal Department, FIC.

M-2.13 Notice, October, 1986, by Mr. D. Sanders, Deputy Administrator.

M-2.14 Letter, 18 September, 1986, Ms. A. Smith, Legal Department, FIC to Administrator.

M-2.15 Letter, 5 November, 1985, Mr. W. MacMurray, Administrator to Ms. A. Smith, Legal Department, FIC.

M-2.16 Letter, 31 October, 1985, Ms. A. Smith, Legal Department, FIC to Administrator.

M-2.17 Letter, 21 October, 1985, Mr. E. Espenberg, Secretary-Treasurer, FIC to Administrator.

M-2.18 Certificate 79-30, 31 October, 1979, of First Investors Corporations Ltd. as Broker (Non-Brokerage).

M-2.19 Certificate 80-25, 31 October, 1980, of First Investors Corporation Ltd. as Broker (Non-Brokerage).

M-2.20 Certificate 81-30, 31 October, 1981, of First Investors Corporation Ltd. as Broker (Non-Brokerage).

M-2.21 Certificate 82-30, 9 November, 1982, of First Investors Corporation Ltd. as Broker (Non-Brokerage).

M-2.22 Certificate 84-31, 19 October, 1984, of First Investors Corporation Ltd. as Broker (Non-Brokerage).

M-2.23 Certificate 85-40, 5 November, 1985, of First Investors Corporation Ltd. as Broker (Non-Brokerage).

M-2.24 Certificate 86-14, 16 October, 1986, of First Investors Corporation Ltd. as Broker (Non-Brokerage).

M-2.25 Certificate 85-15, 31 January, 1985, of First Investors Corporation Ltd. as Security Issuer.

M-2.26 Certificate 86-14, 26 November, 1986, of First Investors Corporation Ltd. as Broker (Restricted).

M-3 Principal Financial Group re Newspaper Clippings

M-3.1 CDIC Fights Investor Confusion, The Globe and Mail, July 11, 1987.
M-3.2 Sale Of $50 Bonds Aids Principal Units, The Globe and Mail, July 11, 1987.
M-3.3 Most Savings Vehicles Unprotected By CDIC, The Globe and Mail, July 11, 1987.
M-3.4 When Licences Not Renewed, Notification Not Up To Securities Watchday, August, 1987.
M-3.5 Angry Principal Investors Feel Deceived, The Telegraph-Journal, August 12, 1987.
M-3.6 Inquiry Would Be "Premature" - Clark, The Telegraph-Journal, August 12, 1987.
M-3.7 Sussex Investor Says Province Can Do More, The Telegraph-Journal, August 12, 1987.
M-3.8 To Help, The Telegraph Journal.
M-3.9 Chronology Of Events Leading To Bankruptcy, The Globe and Mail, August 15, 1987.
M-3.10 Principal Bust Bitter Irony For Man Of Thrift, The Globe and Mail, August 15, 1987.
M-3.11 Role In Supervision of Principal Group Ltd., CBA Will Investigate N.B. Justice Department.
M-3.12 Principal Group, Bar Association Will Probe N.B.'s Licence Handling, August 28, 1987.
M-3.13 Deal Is Reached On Principal Units, The Globe and Mail, August 31, 1987.
M-3.14 Public Needs Protection, The Daily Gleaner, Fredericton, August 31, 1987.
M-3.15 Principal Assets Sold As Final Hurdle Cleared, The Globe and Mail, September 3, 1987.
M-3.16 No Run On Deposits As Former Principal Branches Reopen, The Globe and Mail, September 15, 1987.
M-3.17 Burned, Report on Business Magazine, October, 1987.
M-3.18 "Unsound" Principal Practices Led To CDIC Threat, The Globe and Mail, February 2, 1988.

M-4 Principal Financial Group re Sales Persons

M-4.1 Certificate #87-405, 30 October, 1987, for Currie, Alan Neal with InvestMet Financial Corporation.
M-4.2 Letter, 14 April, 1988, Metropolitan to Administrator.
M-4.3 Letter, 4 December, 1987, Assistant to the Administrator to Mr. A.G. Crandall.
M-4.4 Certificate #86-252, 23 October, 1986, for Crandall, Aiden Graham with Principal Consultants Ltd.
M-4.5 Certificate #87-412, 30 October, 1987, for Loring, Eda Emily - Restricted - with InvestMet Financial Corporation.

M-4.6 Letter, 25 October, 1988, Mr. D. Smith, Administrator to Mrs. Eda Loring.

M-4.7 Certificate #87-412, 16 June, 1988, for Loring, Eda Emily with Money Concepts Group Capital Corporation.

M-4.8 Letter, 21 October, 1988, Mrs. Eda Loring to Mr. D. Smith, Administrator.

M-4.9 Letter, 21 October, 1988, Mrs. Eda Loring to Money Concepts Group Capital Ltd.

M-4.10 Letter, 14 April, 1988, Metropolitan to Administrator.

M-4.11 Certificate 87-21, 4 February, 1987, for McLeod, John Kerr Bentley with Principal Consultants Ltd.

M-4.12 Letter, 31 August, 1987, Mr. David Nicholson, Deputy Administrator to Mr. Bentley McLeod.

M-4.13 Letter, 30 January, 1987, Mr. D. Sanders, Deputy Administrator to Mr. B. McLeod.

M-4.14 Letter, 4 February, 1987, Mrs. E. Dunlop, Secretary to the Deputy Administrator to Mr. B. McLeod.

M-4.15 Certificate 85-270, 24 October, 1985, for McLeod, John Kerr Bentley with Principal Consultants Ltd.

M-4.16 Certificate 86-296, 27 October, 1986, for Humby, Gary E. with Principal Consultants Ltd.

M-4.17 Letter, 30 January, 1987, Mr. D. Sanders, Deputy Administrator to Mr. Richard Stone.

M-4.18 Certificate 85-301, 29 October, 1985, for Stone, Richard Allan with Principal Consultants Ltd.

M-4.19 File Card for Stone, Richard Allan.

M-4.20 File Card for Sherrard, David Albert.

M-4.21 Cancellation Notice re Mr. A. D. Sherrard, 19 September, 1989, Mr. D. Saltmarsh, Attorney-in-fact to Securities Commission.

M-4.22 Letter, 10 July, 1986, Mr. W.P. MacMurray, Administrator to Guardian Insurance Company of Canada.

M-5 Principal Financial Group re First Investors Corporation Ltd. Broker (Restricted) (Mutual Funds)

M-5.1 Letter, 14 August, 1987, Mr. D. Sanders, Deputy Administrator to Mr. D. Nicholson, Chairman, Board of Commissioners of Public Utilities.

M-5.2 Letter, 18 August, 1987, Mr. D. Sanders, Deputy Administrator to Mr. D. Nicholson, Chairman, Board of Commissioners of Public Utilities.

M-5.3 Letter, 21 August, 1987, Mr. D. Sanders, Administrator to Ms. A. Smith, Legal Department, FIC.

M-5.4 Letter, 21 August, 1987, Mr. D. Nicholson, Chairman, Board of Commissioners of Public Utilities to Mr. D. Sanders, Administrator.

M-5.5 Letter, 14 August, 1987, Mr. D. Sanders, Deputy Administrator to Mr. Lorne Richards, Atlantic Manager, Principal Consultants Ltd.

M-6 Cy Oram Investigation

M-6.1 Letter, 19 October, 1987, Mr. D. Sanders, Administrator to Mr. M. Patel, Assistant Director of Public Prosecutions.

M-6.2 Letter, 21 October, 1987, Mr. P. MacNutt, Legal Services to Mr. D. Sanders, Administrator.

M-6.3 Letter, 15 October, 1987, Mr. D. Sanders, Administrator to Mr. M. Patel, Assistant Director of Public Prosecutions.

M-6.4 Letter, 14 October, 1987, Mr. D. Sanders, Administrator to Mr. M. Patel, Assistant Director of Public Prosecutions.

* M-6.5 List of investors.

* M-6.6 Notes, Cy Oram Investigation File.

* M-6.7 Notes, Cy Oram Investigation File.

M-6.8 Meeting Minutes, 9 October, 1987, Re Principal Group.

M-7 Principal Speculators Fund (representative mutual funds file)

M-7.1 Certificate 87-190, 6 May, 1987, for Principal Speculators Fund as Security Issuer.

M-7.2 Letter, 11 May, 1987, Mr. D. Sanders, Administrator to Mr. R. Gillard, Associate Corporate Counsel, Principal Savings and Trust Company (PST).

M-7.3 Letter, 5 May, 1987, Mr. R. Gillard, Associate Corporate Counsel, PST to Mr. D. Sanders, Administrator.

M-7.4 Simplified Prospectus, 5 May, 1987, Principal Speculators Fund.

M-7.5 Auditors' Report, 6 February, 1987, on Principal Speculators Fund, by Deloitte Haskins & Sells.

M-7.6 Letter, 5 May, 1987, Deloitte Haskins & Sells to Regulators, including New Brunswick.

M-7.7 Receipt for the filing of an Annual Information Form, Alberta, 6 May, 1987, Alberta Securities Commission to Principal Speculators Funds.

M-7.8 Receipt for the filing of a Final Prospectus, Alberta, 6 May, 1987, Alberta Securities Commission to Principal Speculators Fund.

M-7.9 Notarial Certificate, 8 May, 1987, Mr. R. H. Gillard, Barrister.

M-7.10 Letter, 5 May, 1987, Principal Securities Management Ltd. to Regulators, including New Brunswick.

M-7.11 Letter, 24 March, 1987, Mr. D. Sanders, Administrator to Mr. R. Gillard, Associate Corporate Counsel, PST.

M-7.12 Letter, 18 March, 1987, Principal Securities Management Ltd. to Regulators, including New Brunswick.

M-7.13 Letter, 18 March, 1987, Mr. R. Gillard, Associate Corporate Counsel, PST to Administrator.

M-7.14 Letter, 18 March, 1987, Deloitte Haskins & Sells to Regulators, including New Brunswick.

M-7.15 Letter, 5 August, 1987, Mr. K. Marlin, President, Principal Consultants Ltd. to Administrator.

M-8 1960 Correspondence received from Provincial Archives of New Brunswick

M-8.1 Letter, 7 April, 1960, Mr. G. Earle Logan, Administrator of the Securities Act to Mr. Jack W. Kennedy, of Cormie, Kennedy, Crawford, Harvie & Fitch.

M-8.2 Letter, 25 January, 1960, Mr. J. Kennedy, of Cormie, Kennedy, Crawford, Harvie & Fitch to Mr. G.E. Logan, Administrator.

M-8.3 Letter, 5 April, 1960, Mr. J. Kennedy, of Cormie, Kennedy, Crawford, Harvie & Fitch to Mr. G.E. Logan, Administrator.

APPENDIX N

Principal Financial Group
- Governmental Files -

OFFICE OF THE ADMINISTRATOR OF THE SECURITIES ACT
(copies of documents destroyed by the Administrator's Office and forwarded to the Ombudsman's Office by Mr. J. McNiven)

Table of Contents

N-1	Administrators Correspondence
N-1.1	Information Sheet on the Securities Act.
N-1.2	Letter, 14 November, 1960, Mr. D. Dickson, Assistant Registrar on behalf of Mr. K. Lawton, to Mr. E. N. McKelvey of McKelvey, Macaulay, Machum & Fairweather, Barristers; Covenant between FIC and the New Brunswick Government. Attached to FIC Certificate of Registration as broker and securities issuer.
N-1.3	Letter, 15 November, 1960, Mr. G. Fairweather of McKelvey, Macaulay, Machum & Fairweather to Mr. J. Kennedy of Cormie, Kennedy, Crawford, Harvie & Fitch.
N-1.4	Certificate 1947, 9 November, 1960 of First Investors Corporation Ltd. as Security Issuer with attached conditions.
N-1.5	Annual Return, 25 January, 1960, of First Investors Corporation Ltd.
N-1.6	Prospectus 22 November, 1960 of First Investors Corporation Ltd.
N-1.7	Section 11 Statement, July, 1960 of First Investors Corporation Ltd.
N-1.8	Payments Table, FIC.
N-1.9	Broker (Non-Brokerage) Application by First Investors Corporation Ltd.
N-1.10	List of Officers, 8 March, 1960, First Investors Corporation Ltd.
N-1.11	Directors Resolutions, 7 July, 1960, First Investors Corporation Ltd.
N-1.12	Letter, 8 February, 1980, Mr. W. MacMurray, Administrator to Mr. R. Kullir, Legal Counsel, FIC.
N-1.13	Letter, 27 February, 1980, Mr. K. Marlin to Administrator.
N-1.14	Certificate 80-8, 8 February, 1980, of First Investors Corporation Ltd. as Security Issuer.
N-1.15	Receipt 4596, 8 February, 1980, for $50 from Province of New Brunswick to First Investors Corporation Ltd.
N-1.16	Letter, 27 May, 1980, Mr. E. Espenberg, Secretary-Treasurer, FIC to Administrator.
N-1.17	Letter, 15 January, 1981, Mr. E. Espenberg, Secretary-Treasurer, FIC to Administrator.

N-1.18 Letter, 2 February, 1981, Mr. W. MacMurray, Administrator to Mr. E. Espenberg, Secretary-Treasurer, FIC.

N-1.19 Certificate 81-10, 8 February, 1981, of First Investors Corporation Ltd. as Security Issuer.

N-1.20 Receipt 4945, 2 February, 1981, from Province of New Brunswick to Principal Group Ltd.

N-1.21 Letter, 9 April, 1981, Principal Legal Department to Administrator.

N-1.22 Letter, 26 January, 1982, Mr. K. Marlin, President, FIC to Administrator.

N-1.23 Letter, 3 February, 1982, Mr. W. MacMurray, Administrator to Mr. K. Marlin, President, FIC.

N-1.24 Certificate 82-11, 3 February, 1982 of First Investors Corporation Ltd. as Security Issuer.

N-1.25 Receipt 179, 3 February, 1982, from Province of New Brunswick to Principal Group Ltd.

N-1.26 Letter, 2 June, 1982, Ms. A Smith, Legal Department, FIC to Administrator.

N-1.27 Letter, 19 January, 1983, Mr. E. Espenberg, Secretary-Treasurer, FIC to Administrator.

N-1.28 Letter, 28 January, 1983, Mr. W. MacMurray, Administrator to Mr. E. Espenberg, Secretary-Treasurer, FIC.

N-1.29 Receipt 368, 28 January, 1983, from Province of New Brunswick to First Investors Corporation Ltd.

N-1.30 Certificate 83-11, 28 January, 1983 of First Investors Corporation Ltd. as Security Issuer.

N-1.31 Letter, 29 April, 1983, Ms. A. Smith, Legal Department, FIC to Administrator.

N-1.32 Letter, 11 January, 1984, Mr. E. Espenberg, Secretary-Treasurer, FIC to Administrator.

N-1.33 Letter, 20 January, 1984, Mr. W. MacMurray, Administrator to Mr. E. Espenberg, Secretary-Treasurer, FIC.

N-1.34 Letter, 24 January, 1984, Mr. E. Espenberg, Secretary-Treasurer, FIC to Mr. W. MacMurray, Administrator.

N-1.35 Letter, 30 January, 1984, Mr. MacMurray, Administrator to Mr. E. Espenberg, Secretary-Treasurer, FIC.

N-1.36 Certificate 84-15, 30 January, 1984 of FIC as Security Issuer.

N-1.37 Letter, 14 May, 1984, Ms. A. Smith, Legal Department, FIC to Administrator.

N-1.38 Letter, 18 January, 1985, Mr. E. Espenberg, Secretary-Treasurer, FIC to Administrator.

N-1.39 Letter, 25 January, 1985, Mr. W. MacMurray, Administrator to Mr. E. Espenberg, Secretary-Treasurer, FIC.

N-1.40 Certificate 85-15, 31 January, 1985 of FIC as Security Issuer.

N-1.41 Receipt 4805, 25 January, 1985, Province of New Brunswick to Principal Group.

N-1.42 Letter, 23 January, 1986, Mr. E. Espenberg, Secretary-Treasurer, FIC to Administrator.
N-1.43 Certificate 86-50, 1 February, 1986 of FIC as Security Issuer.
N-1.44 Receipt 2150, 17 March, 1986, from Province of New Brunswick to Principal Group Ltd.
N-1.45 Letter, 17 March, 1986, Mr. W. MacMurray, Administrator to Mr. E. Espenberg, Secretary-Treasurer, FIC.
N-1.46 Letter, 14 January, 1987, Ms. A. Smith, Legal Department, FIC to Administrator.
N-1.47 Letter, 27 January, 1987, Mr. D. Sanders, Deputy Administrator to Ms. A. Smith, Legal Department, FIC.
N-1.48 NB Business Corporations Act, Form 33 for FIC, 26 May, 1987.
N-1.49 Letter, 26 October, 1983, Mr. W. MacMurray, Administrator to Mr. E. Espenberg, Secretary-Treasurer, FIC.
N-1.50 Certificate 83-24, 26 October, 1983, for FIC as Broker (Non-Brokerage).
N-1.51 Copy, Security Frauds Prevention Act, 1955.
N-1.52 Letter, 26 June, 1990, Mr. J. McNiven of McNiven, Kelly & O'Neil to Mr. C. Ferris, Office of the Ombudsman.

N-2 Advertising Materials

N-2.1 Fax, 1 March, 1990, Mr. J. McNiven to Mr. C. Ferris, Office of the Ombudsman.
N-2.2 Principal Group Ltd., 31st Annual Review 1985.
N-2.3 Principal Group Ltd., 1984 Annual Report.
N-2.4 Special Bulletin, Audited Statements for FIC, year ending December 31, 1984 (Draft).
N-2.5 Special Bulletin, Audited Statements for AIC year ending December 31, 1984.
N-2.6 Advertising Booklet, Principal Group of Companies.
N-2.7 Advertising Booklet, Managing Your Money at Principal is as Simple as ABC.
N-2.8 Advertising Booklet, Corporate Offices, 2900 Principal Plaza, Edmonton, Alberta.
N-2.9 Advertising Booklet, Principal Term Certificates.
N-2.10 Advertising Booklet, RRSP.
N-2.11 Advertising Booklet, Principal's Tax Sheltered Investment Program.
N-2.12 Advertising Booklet, 30 June, 1987, Semi-Annual Principal Speculators Fund.
N-2.13 First Investors Corporation Ltd., Plan of Arrangement Information Circular.

APPENDIX O

Principal Financial Group
- Governmental Files -

DEPARTMENT OF TRANSPORTATION

Table of Contents

O-1	Principal Files Forwarded to Department of Transportation by John McNiven
O-1.1	Memo, 11 June, 1990, Mr. D. Seheult, Deputy Minister of Transportation to Mr. C. Ferris, Office of the Ombudsman.
O-1.2	Letter, 1 October, 1987, The Hon. R. McCready, Minister of Transportation to Mr. B. Carroll, Chair, N.B. Principal Investors Group.
O-1.3	Information Sheet on Securities Act.
O-1.4	Letter, 2 October, 1987, Mr. D. Seheult, Deputy Minister of Transportation to Mr. G. LeBlanc, of Anderson, Sheehan & McWilliam.
O-1.5	Letter, 25 September, 1987, Mr. G. LeBlanc, of Anderson, Sheehan & McWilliam to Mr. D. Seheult, Deputy Minister of Transportation.
O-1.6	News Release, 26 August, 1987, N.B. Branch of the CBA.

APPENDIX P

Principal Financial Group
- Governmental Files -

DEPARTMENT OF JUSTICE
DIRECTOR OF CORPORATE AND TRUST AFFAIRS

Table of Contents

P-1 **Principal Financial Group - 800 Line**

P-1.1 Telecopier, 17 September, 1987, Mr. D. Sanders, Administrator to Mr. Charles McAllister, Director, Corporate and Trust Affairs.

P-1.2 Telecopier, 17 September, 1987, Mr. D. Sanders, Administrator to Mr. R.D. MacIntosh, Department of Transportation.

P-1.3 Memo, 8 September, 1987, Mr. C. McAllister, Director, Corporate and Trust Affairs to Mr. R. Scammell, Deputy Minister of the Department of Justice, copies to The Hon. David Clark, Mr. Gordon Gregory, Mr. Doug MacIntosh and Mr. David Nicholson.

P-1.4 Telecopier, 20 July, 1988, Mr. D. Smith, Administrator to Mr. P. MacNutt, Solicitor, Legal Services.

P-1.5 Advertisement, Telegraph-Journal, 12 September, 1987.

P-1.6 Letter, 1 March, 1988, Mr. J. McNiven, Special Counsel for Eastern Principal Investors to Investment Contract Holders.

P-2 **Investor Files**

P-2.1 Letter, 8 January, 1988, The Hon. J. Lockyer, Minister of Justice to Ms. E. Trueman, investor.

* P-2.2 Letter, 8 February, 1988, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. A. Estabrooks, investor.

* P-2.3 Letter, 27 January, 1985, Mr. A. Estabrooks, investor to The Hon. J. Lockyer, Minister of Justice.

P-2.4 Notice to Creditors and Claimants of Principal Savings and Trust Company by B. I. Robertson & Associates Ltd.

P-2.5 Letter, 16 December, 1988, Mr. D. Smith, Administrator to Mr. A. Estabrooks, investor.

* P-2.6 Signed Statement, 8 September, 1987, by Mr. A. Estabrooks, investor, Witnessed by Mr. Cy Oram.

P-2.7 Letter, 18 September, 1987, Mr. C. McAllister, Director, Corporate & Trust Affairs to Mr. A. Estabrooks, investor.

* P-2.8 Contract, 4 February, 1986, FIC Contract on behalf of Peters Well Drilling.

* P-2.9 Letter, 24 August, 1987, The Hon. D. Clark, Minister of Justice to Ms. L. Livesey, investor.

*	P-2.10	Letter, 16 August, 1987, Ms. L. Livesey, investor to The Hon. D. Clark, Minister of Justice.
	P-2.11	Newspaper Ad for Principal, 18 September, 1986.
	P-2.12	Draft letter, Administrator to Mr. J. Matthews, investor.
*	P-2.13	Contract, FIC Contract on behalf of Mrs. L. Beneteau.
*	P-2.14	Letter, 6 August, 1987, Mr. H. Sloan to Victims of Principal Group.
*	P-2.15	Letter, 13 August, 1987, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. I. Cawdle, investor.
*	P-2.16	Letter, Mr. I. Cawdle, investor, to Victims of Principal Group.
	P-2.17	Letter, 6 August, 1987, Mr. I. Cawdle, investor, to R. Scammell, Assistant Deputy Minister of Justice.
*	P-2.18	Letter, 4 August, 1987, Mr. L. Trites, investor.
	P-2.19	Letter, 12 January, 1988, The Hon. J. Lockyer, Minister of Justice to Mr. J. Stewart, Chairman of the Board, The United Church Home for Senior Citizens.
	P-2.20	Letter, 3 November, 1987, Mr. D. Smith, Administrator, to Mr. J. Hayes, investor.
	P-2.21	Letter, 5 November, 1987, Mr. D. Smith, Administrator, to Mr. J. Hayes, investor.
	P-2.22	Letter, 15 December, 1987, Mr. D. Smith, Administrator, to Mr. J. White, investor.
	P-2.23	Letter, 24 November, 1987, Mr. D. Smith, Administrator, to Mr. B. Maillet, investor.
	P-2.24	Letter, 9 November, 1987, Mr. C. McAllister, Director, Corporate & Trust Affairs to Mr. B. Maillet, investor.
	P-2.25	FIC File Card, October 31, 1977 to October 31, 1987, as Broker (Non-Brokerage).
	P-2.26	FIC File Card, November 9, 1960 to October 31, 1977, as Broker (General).
	P-3	Code Inquiry Documents
	P-4	Surety Bond
	P-4.1	Notes re Collins Barrow, Mr. David Bromwick.
	P-4.2	Letter, 2 August, 1988, Mr. D. Smith, Administrator to Mr. R. Scammell, Assistant Deputy Minister of Justice.
	P-4.3	Letter, 2 August, 1988, Mr. D. Smith, Administrator to Mr. R. Scammell, Assistant Deputy Minister of Justice.
	P-4.4	Memo, 19 August, Mr. C. McAllister, Director, Corporate & Trust Affairs to Mr. R. Scammell, Assistant Deputy Minister of Justice.
	P-4.5	Notes.
	P-4.6	Memo, 12 August, 1987, Mr. C. McAllister, Director, Corporate & Trust Affairs to Mr. D. Wright, Solicitor, Department of Justice.
	P-4.7	Memo, 11 August, 1987, Mr. C. McAllister, Director, Corporate & Trust Affairs to Mr. R. Scammell, Assistant Deputy Minister of Justice.

P-4.8 Yuen Kun-yen and others v. Attorney General of Hong Kong [1987] 2 All E.R. 705.

P-5 Briefing for the Minister

P-5.1 Memo, 26 July, 1989, Mr. C. McAllister, Director of Corporate & Trust Affairs to The Hon. J. Lockyer, Minister of Justice.
P-5.2 Notes, Alberta - response by July 28.
P-5.3 Notes to meeting, 26 July, 1989.

P-6 Binder

P-6.1 Notes, 18 August, 1987, Mr. Ryan to Mr. Charles.
P-6.2 Notice, 5 September, 1987, Canada Deposit Insurance Corporation to Mr. C. McAllister, Director, Corporate and Trust Affairs.
P-6.3 Notes, CDIC.
P-6.4 Letter, 21 August, 1987, Mr. Charles. C. de Lèry, President, Canada Deposit Insurance Corporation to Mr. C. McAllister, Director, Corporate and Trust Affairs.
P-6.5 Note, 20 August, 1987, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. C. McAllister, Director, Corporate and Trust Affairs.
P-6.6 Letter, 28 July, 1987, Ms. S. Hall, President, Consumers Association of Canada to The Hon. M. Wilson, P.C., M.P., Minister of Finance.
P-6.7 Fax, 21 August, 1987, Mr. C. de Lèry, President, Canada Deposit Insurance Corporation to Mr. C. McAllister, Director, Consumer and Trust Affairs.
P-6.8 Fax, 20 August, 1987, Mr. C. McAllister, Director, Corporate and Trust Affairs to Mr. C. de Lèry, President, Canada Deposit Insurance Corporation.
P-6.9 News Release, 17 August, 1987, Canada Deposit Insurance Corporation.
P-6.10 Notes.
P-6.11 Letter, 7 October, 1987, Mr. C. McAllister, Director, Corporate and Trust Affairs to Mr. W. Code of Code Hunter.
P-6.12 Notes, 25 August, 1987, Transportation.

P-7 Charles McAllister - Securities

P-7.1 Notice, 17 September, 1987, re Update For Information Line on Principal Group of Companies.
P-7.2 Letter, 21 August, 1987, Mr. D. Nicholson, Chairman, Public Utilities Board to Mr. C. McAllister, Director, Corporate and Trust Affairs.
P-7.3 Letter, 14 August, 1987, Mr. D. Sanders, Deputy Administrator to Mr. Lorne Richards, Altantic Manager, Principal Consultants Ltd.
P-7.4 Notes, 13 August, 1987.

P-4.8 Yuen Kun-yen and others v. Attorney General of Hong Kong [1987] 2 All E.R. 705.

P-5 Briefing for the Minister

P-5.1 Memo, 26 July, 1989, Mr. C. McAllister, Director of Corporate & Trust Affairs to The Hon. J. Lockyer, Minister of Justice.
P-5.2 Notes, Alberta - response by July 28.
P-5.3 Notes to meeting, 26 July, 1989.

P-6 Binder

P-6.1 Notes, 18 August, 1987, Mr. Ryan to Mr. Charles.
P-6.2 Notice, 5 September, 1987, Canada Deposit Insurance Corporation to Mr. C. McAllister, Director, Corporate and Trust Affairs.
P-6.3 Notes, CDIC.
P-6.4 Letter, 21 August, 1987, Mr. Charles. C. de Lèry, President, Canada Deposit Insurance Corporation to Mr. C. McAllister, Director, Corporate and Trust Affairs.
P-6.5 Note, 20 August, 1987, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. C. McAllister, Director, Corporate and Trust Affairs.
P-6.6 Letter, 28 July, 1987, Ms. S. Hall, President, Consumers Association of Canada to The Hon. M. Wilson, P.C., M.P., Minister of Finance.
P-6.7 Fax, 21 August, 1987, Mr. C. de Lèry, President, Canada Deposit Insurance Corporation to Mr. C. McAllister, Director, Consumer and Trust Affairs.
P-6.8 Fax, 20 August, 1987, Mr. C. McAllister, Director, Corporate and Trust Affairs to Mr. C. de Lèry, President, Canada Deposit Insurance Corporation.
P-6.9 News Release, 17 August, 1987, Canada Deposit Insurance Corporation.
P-6.10 Notes.
P-6.11 Letter, 7 October, 1987, Mr. C. McAllister, Director, Corporate and Trust Affairs to Mr. W. Code of Code Hunter.
P-6.12 Notes, 25 August, 1987, Transportation.

P-7 Charles McAllister - Securities

P-7.1 Notice, 17 September, 1987, re Update For Information Line on Principal Group of Companies.
P-7.2 Letter, 21 August, 1987, Mr. D. Nicholson, Chairman, Public Utilities Board to Mr. C. McAllister, Director, Corporate and Trust Affairs.
P-7.3 Letter, 14 August, 1987, Mr. D. Sanders, Deputy Administrator to Mr. Lorne Richards, Altantic Manager, Principal Consultants Ltd.
P-7.4 Notes, 13 August, 1987.

P-10.5 Letter, 8 October, 1987, Mr. R. Pointe, Director of Trust Companies, Government of Alberta to B.I. Robertson & Associates Ltd.

P-11 Metropolitan Trust

P-11.1 Statement.
P-11.2 Notes.

P-12 Principal Savings and Trust Company

P-12.1 Memo, 6 November, 1987, Mr. C. McAllister, Director of Corporate and Trust Affairs to Mr. Wright.
P-12.2 Memo, 26 October, 1989, Mr. G. Elliott, Financial Analyst to Mr. C. McAllister, Director of Corporate and Trust Affairs.
P-12.3 Memo, 17 August, 1987, The Hon. D. Clark, Minister of Justice to The Hon. R. Hatfield, Premier.
P-12.4 Memo, 23 October, 1987, Mr. G. Elliott, Financial Analyst to Mr. C. McAllister, Director of Corporate and Trust Affairs.

P-13 Principal Options

P-13.1 Memo, 26 July, 1989, Mr. C. McAllister, Director of Corporate and Trust Affairs to The Hon. J. Lockyer, Minister of Justice.
P-13.2 Notes, 22 January re Investment Contract Committee Executive meeting.
P-13.3 Notes, June, 1987, 1987 Trust Company Administrations meeting.
P-13.4 Notes re Police.
P-13.5 Memo, 14 October, 1987, Mr. G. Elliott, Financial Analyst to Mr. R. Scammell, Assistant Deputy Minister of Justice.
P-13.6 Memo, 10 September, 1987, Mr. G. Elliott, Financial Analyst to Mr. R. Scammell, Assistant Deputy Minister of Justice.
P-13.7 Memo, 13 August, 1987, Mr. G. MacGarvie, Department of Finance to The Hon. J. Baxter, Minister of Finance.
P-13.8 Letter, 1 October, 1987, The Hon. R. McCready, Minister of Transportation to Mr. Corwall, Chairman, Moncton Investors Group.
P-13.9 Memo, 2 July, 1987, Mr. G. Elliott, Financial Analyst to Mr. C. McAllister, Director of Corporate and Trust Affairs (Notes, 3 July, 1987, attached).

P-14 N.B. Info Line

P-14.1 Notes - re Calls Received - N.B. Info Line.

P-14.2 Letter, 17 September 1987, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. R. D. MacIntosh, Executive Director, Administration and Policy, Department of Transportation.

P-14.3 Notes - List of Callers.

P-14.4 Notes - List of Callers.

P-14.5 Notes - List of Callers.

P-14.6 Letter, 7 April, 1987, Mr. C. McAllister, Director, Corporate and Trust Affairs to East-West Investments Inc.

P-14.7 Memo, 19 November, 1987, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. R. D. MacIntosh, Department of Transportation.

P-15 Principal Group - Jean-Guy Savoie

P-15.1 Memo, 8 September, 1987, Mr. C. McAllister, Director, Corporate and Trust Affairs to Mr. R. Scammell, Assistant Deputy Minister of Justice.

P-16 PST - Trust Companies Act

P-16.1 Memo, 23 February, 1990, Mr. C. McAllister, Director Corporate and Trust Affairs to Mr. R. Maunder, Solicitor, Legal Services.

P-16.2 Letter, 6 February, 1989, Mr. C. McAllister, Director Corporate and Trust Affairs to Mr. T. Peacock, V.P. B.I. Robertson & Associates.

P-16.3 Memo, 23 December, 1988, Mr. C. McAllister, Director, Corporate and Trust Affairs to Mr. R. Maunder, Legal Services.

P-16.4 Letter, 22 April, 1988, Ms. K. Jeffrey, Account Manager, B. I. Robertson & Associates Ltd. to Mr. L. Guitard, Funds Administrator, Department of Finance.

P-16.5 Letter, 1 March, 1966, Mr. I. Cameron, Director, Treasurer & Debt Management to Mr. R. Lister of McKelvey, Macaulay, Machum & Fairweather.

P-16.6 Letter, 23 February, 1966, Mr. R. Lister of McKelvey, Macaulay, Machum & Fairweather to Mr. L. Hashey, Deputy Provincial Secretary.

P-17 Alberta

P-17.1 Note, 10 January, 1990, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. C. McAllister, Director of Corporate and Trust Affairs.

P-17.2 Letter, 18 December, 1989, The Hon. D. Johnston, Provincial Treasurer, Alberta to The Hon. J. Lockyer, Minister of Justice.

P-17.3 Note, 1 August, 1989, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. C. McAllister, Director of Corporate and Trust Affairs.

P-17.4 Fax, Coversheet, 28 July, 1989, Mr. A. McPherson, Alberta Treasury to Mr. P. LeBreton, Deputy Minister of Justice.
P-17.5 News Release, 28 July, 1989, Government of Alberta.
P-17.6 Fax, 31 July, 1989, The Hon. Dennis Anderson, Minister of Consumer and Corporate Affairs to The Hon. J. Lockyer, Minister of Justice.
P-17.7 News Release, 28 July, 1989, Government of Alberta.
P-17.8 Canada Press, 31 July, 1989.

P-18 Products and N.B. Office

P-18.1 Contract - Associated Investors of Canada Ltd., First Investors Corporations Ltd.
P-18.2 Contract - Principal Trust.
P-18.3 Contract - Principal Group of Company, Accumulation Plans.
P-18.4 Contract - Principal Group of Company, Investment Funds.

P-19 Liquidation Costs

P-19.1 Memo, 28 June, 1989, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. P. LeBreton, Deputy Minister of Justice.
P-19.2 Memo, 12 July, 1989, Mr. R. Scammell, Assistant Deputy Minister of Justice to The Hon. J. Lockyer, Minister of Justice.
P-19.3 Letter, 12 July, 1989, The Hon. J. Lockyer, Minister of Justice to The Hon. R. Johnson, Provincial Treasurer, Province of Alberta.
P-19.4 Letter, 11 July, 1989, The Hon. F. McKenna, Premier to The Hon. D. Getty, Premier of Alberta.
P-19.5 Memo, 21 June, 1989, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. P. LeBreton, Deputy Minister of Justice.
P-19.6 Fax, Cover Sheet, 16 June, 1989, Mr. J. Spurr, Legal Services, Finance, Nova Scotia to Mr. R. Scammell, Assistant Deputy Minister of Justice.
P-19.7 Fax, 12 June, 1989, The Hon. T. McInnis, Attorney General of Nova Scotia to Mr. J. McNiven, Kelly & O'Neil.
P-19.8 Letter, 12 June, 1989, The Hon. J. Buchanan, Premier of Nova Scotia to The Hon. D. Getty, Premier of Alberta.
P-19.9 Notes.
P-19.10 Fax, Cover Page, 6 June, 1989, Mr. Greenan of McNiven, Kelly & O'Neil to The Hon. J. Lockyer, Attorney General, Mr. C. McAllister, Director of Corporate and Trust Affairs and Mr. B. Carroll, Chairman of N.B. Principal Investors Group.

P-19.11 Letter, 6 June, 1989, Mr. Greenman, of McNiven, Kelly & O'Neil, to Mr. B. Carroll, Chairman of N.B. Principal Investors Group.

P-19.12 Fax, 30 May, 1989, Mr. J. McNiven of McNiven, Kelly & O'Neil to Mr. J. Ryan of President Coopers & Lybrand Ltd.

P-19.13 Letter, 31 May, 1989, Mr. J. Ryan, President, Coopers & Lybrand Ltd. to Mr. J. McNiven of McNiven, Kelly & O'Neil.

P-19.14 News Release, 26 May, 1989, by Special Counsel to Code Inquiry.

P-19.15 Fax Cover Sheet, 26 May, 1989, Mr. J. McNiven of McNiven, Kelly & O'Neil to Mr. J. Spurr, Mr. R. Scammell, Assistant Deputy Minister of Justice Mr. M. Hinchey, Mr. J. Housere, Mr. C. Mason and Mr. B. Carroll, Chairman of N.B. Principal Investors Group.

P-20 Principal Trust - Moncton Meeting

P-20.1 Note, 14 August, 1987, Mr. M. Walsh to Charles.

P-20.2 Principal Group Investors Worried Clark: More Information Needed Before Probe Set Up, 12 August, 1987, Fredericton Daily Gleaner.

P-20.3 Notes, 12 August, 1987.

P-20.4 Memo, 12 August, 1987, Mr. G. Elliott, Financial Affairs Analyst to Mr. C. McAllister, Director of Corporate and Trust Affairs.

P-20.5 Notes, 14 August, 1987.

* P-20.6 Forms, 27 December, 1985, Signed by Mr. P. Dorcas, contract with FIC.

P-20.7 Certificate of Status, 30 September, 1987, by The Hon. D. Clark, Minister of Justice on behalf of PST.

P-21 Principal - Canadian Bar Investigation

P-21.1 Memo, 3 November, 1987, Mr. R. Scammell, Assistant Deputy Minister of Justice to Distribution List.

P-21.2 A Little High-Handed, 24 October, 1987, Moncton Times-Transcript.

P-21.3 N.B. Report On Principal Group Failure: Securities Regulations Overhaul Urged.

P-21.4 Regulating The Regulators by Mr. G. LeBlanc.

P-22 Arnold Estabrooks

P-22.1 Letter, 10 July, 1989, The Hon. J. Lockyer, Minister of Justice to Mr. A. Estabrooks, investor.

* P-22.2 Letter, 6 July, 1989, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. B. Robertson of B.I. Robertson & Associates Ltd.

P-22.3 Letter, 16 June, 1989, Mr. A. Estabrooks, investor, to The Hon. J. Lockyer, Minister of Justice.

P-23 Principal Group Formal Complaints

P-23.1 Letter, 13 August, 1987, Mr. R. Scammell, Assistant Deputy Minister of Justice to Ms. P. Sheard, investor.
P-23.2 Illegible Photocopy.
P-23.3 Questionnaire, 30 July, 1987, Marketing Practices Branch, Consumer and Corporate Affairs Canada.
P-23.4 Letter, 11 September, 1987, The Hon. R. McCready, Minister of Transportation to Mr. B. Carroll, Chair, N.B. Principal Investors. (Draft letter from The Hon. D. Clark, Minister of Justice, to The Hon. R. McCready, Minister of Transportation of same date attached.)

P-24 Principal Group - Newspapers

P-24.1 Closures Send Ripples Through West, 6 July, 1987, The Financial Post.
P-24.2 Cormie Built Empire By Leaps And Bounds, 20 July, 1987, The Financial Post.
P-24.3 Getty Fires Minister; Principal Investors Offered Settlement, 29 July, 1987, The Globe & Mail.
P-24.4 Principal Investors Disappointed by Offer of Partial Compensation, Globe and Mail.
P-24.5 Alberta Government Vows To Pursue Principal Case.
P-24.6 The Debt Alberta Owes, 29 July, 1989, The Globe & Mail.
P-24.7 Principal Auditors Defended By Peers, 21 July, 1981, The Globe & Mail.
P-24.8 B.C. Ombudsman Prepares Principal Report, 21 July, 1989, The Globe & Mail.
P-24.9 Atlantic Canada Regulators Deny Responsibility, 21 July, 1989, The Globe & Mail.
P-24.10 The Sins Of Omission In Our Financial Fiascos, The Globe & Mail.
P-24.11 Code Due To Submit Report On Princial Group Failure Tomorrow, undated.
P-24.12 Investors Deserve Restitution, 19 July, 1989, The Daily Gleaner.
P-24.13 Alberta Tories Refuse To Debate Code Report, 20 July, 1989, The Globe & Mail.
P-24.14 $25 Million Inquiry Into Principal Failure Too Costly, Code Says, 20 July, 1989, The Globe and Mail.
P-24.15 The Principal Fiasco, 20 July, 1989, The Globe & Mail.
P-24.16 Report on Principal alleges Fraud, Code Finds Minister's Conduct "Neglectful" And Even Reckless, 19 July, 1989, The Globe & Mail.
P-24.17 Investors Express Hope of Regaining Lost Money, 19 July, 1989. The Globe & Mail.
P-24.18 Might Run For Senate, Code Says, 19 July, 1989, The Globe & Mail.
P-24.19 Huge Fees To Cormie's Family Were "Fraudulent" In Some Cases, 19 July, 1989, The Globe & Mail.

P-25 **Principal Press Release**

P-25.1 Press Release, 19 August, 1987, by The Hon. D. Clark, Minister of Justice.

P-25.2 Press Release, 14 August, 1987, by The Hon. D. Clark, Minister of Justice.

P-26 **Canadian Bar Meeting, March 1988**

P-26.1 Memo, 4 March, 1988, Mr. C. McAllister, Director, Corporate & Trust Affairs to Mr. R. Scammell, Assistant Deputy Minister of Justice.

P-27 **B.I. Robertson & Associates and Principal Saving & Trust Company**

P-27.1 Letter, 8 January, 1988, B.I. Robertson & Associates Ltd. to Mr. C. McAllister, Director, Corporate and Trust Affairs.

P-27.2 Letter, 8 January, 1988, B.I. Robertson & Associates Ltd. to Mr. C. McAllister, Director, Corporate and Trust Affairs.

P-27.3 Fax, 6 January, 1988, Mr. C. McAllister, Director, Corporate and Trust Affairs to B.I. Robertson & Associates Ltd.

P-27.4 Letter, 8 January, 1988, B.I. Robertson & Associates Ltd. to Mr. C. McAllister, Director, Corporate and Trust Affairs.

P-27.5 Letter, 8 January, 1988, B.I. Robertson & Associates Ltd. to Mr. C. McAllister, Director, Corporate and Trust Affairs.

P-27.6 Fax, 6 January, 1988, Mr. C. McAllister, Director, Corporate and Trust Affairs to B.I. Robertson & Associates Ltd.

P-28 **Code Report Correspondence**

P-28.1 Note, 26 August, 1988, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. C. McAllister, Director, Corporate and Trust Affairs.

P-28.2 Letter, 22 August, 1988, Mr. J. McNiven of McNiven, Kelly & O'Neil to Mr. R. Scammell, Assistant Deputy Minister of Justice.

P-28.3 Memo, 26 May, 1989, Mr. C. McAllister, Director, Corporate & Trust Affairs to Mr. R. Scammell, Assistant Deputy Minister of Justice.

P-28.4 Letter, 28 April, 1989, Mr. J. McNiven of McNiven, Kelly & O'Neil to New Brunswick FIC Investors.

P-28.5 Fax Cover Letter, 19 January, 1988, Mr. J. McNiven of McNiven, Kelly & O'Neil to Mr. C. McAllister, Director, Corporate and Trust Affairs.

P-28.6 Court Order, 14 December, 1987, by the Court of Queen's Bench of Alberta, Judicial District, Edmonton.

P-29 Collins Barrow

P-29.1 Fax, 31 July, 1989, Mr. C. McAllister, Director, Corporate and Trust Affairs to Mr. J. Allen, Collins Barrow Ltd.

P-29.2 Note, 26 August, 1988, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. C. McAllister, Director, Corporate and Trust Affairs.

P-29.3 Letter, 18 July, 1988, Collins Barrow Ltd. to the Creditors of Principal Group Ltd.

P-29.4 Letter, 7 September, 1989, Collins Barrow Ltd. to the Creditors of Principal Group Ltd.

P-29.5 Letter, 17 August, 1989, Principal Group Noteholders Association to Fellow Noteholders.

P-29.6 Letter, 17 August, 1989, Ms. D. Armstrong of Principal Group Noteholders Association to Mr. H. Lee, Director, Revenue Canada Taxation.

P-29.7 Noteholders Not a Greedy, Careless Group, 31 July, 1989, Edmonton Journal.

P-29.8 Code Leaves Principal Group Skeletons In Closet, 8 July, 1989, Edmonton Journal.

P-29.9 Principal Noteholders Not Skilled Investors.

P-30 Principal Savings and Trust Company

P-30.1 Annual Return of Trust, Building and Loan Companies, 1984, for Principal Savings & Trust Company.

P-30.2 Letter, 30 March, 1987, Ms. A. Smith, Legal Department, Principal Savings and Trust Company to Corporate and Trust Affairs.

P-30.3 Letter, 28 May, 1987, Mr. R. Lister of McKelvey, Macaulay, Machum to Trust Affairs.

P-30.4 Annual Return of Trust, Building and Loan Companies, 1987, for Principal Savings & Trust Company.

P-30.5 Annual Return of Trust, Building and Loan Companies, 1986, for Principal Savings & Trust Company.

P-30.6 Annual Return of Trust, Building and Loan Companies, 1985, for Principal Saving & Trust Company.

P-30.7 Order 66-40, 19 January, 1966, Lieutenant-Governor in Council, J.B. McNair.

P-30.8 Permission, 27 January, 1966, for Principal Savings and Trust Company.

P-30.9 Letter, 30 March, 1987, Ms. A. Smith, Legal Department, Principal Savings and Trust Company to Corporate Department.

P-30.10 Letter, 27 February, 1987, Mr. R. James, Assistant Controller, Provincial Trust to Consumer and Corporate Affairs.

P-30.11 Letter, 27 February, 1987, Mr. K. Hughes, Treasurer, The Mutual Trust Company to Mr. A Creaghan, Director, Corporate and Trust Affairs.

P-30.12 Cover, Financial Statements, 31 December, 1985, Principal Savings and Trust Company.

P-30.13 Letter, 27 February, 1986, Ms. A. Smith, Legal Department, Principal to Corporate and Trust Affairs.

P-30.14 Letter, 7 March, 1985, Ms. A. Smith, Legal Department, Principal to Corporate and Trust Affairs.

P-30.15 Cover, Financial Statements, 31 December, 1984, Principal Savings and Trust Company.

P-30.16 Order 66-40, 19 January, 1966, Lieutenant-Governor in Council, The Hon. J.B. McNair.

P-30.17 Fax, 24 August, Mr. C. McAllister, Director, Corporate and Trust Affairs to Mr. Pointe, Director of Trust Companies, Alberta.

P-30.18 Receipt, 4 February, 1966, Department of Finance and Industry to Principal Savings and Trust Company.

P-30.19 Permission, 27 January, 1966, For Principal Savings and Trust Company.

P-30.20 Order 66-39, 19 January, 1966, Lieutenant-Governor in Council, The Hon. J. B. McNair.

P-30.21 Power of Attorney for Principal Savings and Trust Company, 1966.

P-30.22 Order 66-40, 19 January, 1966, Lieutenant-Governor in Council, The Hon. J. B. McNair.

P-30.23 Letter, 1 March, 1966, Mr. I. Cameron, Director, Treasury & Debt Management re Mr. R. Lister of McKelvey, Macaulay, Machum & Fairweather.

P-30.24 Report, 11 January, 1966, Department of Provincial Secretary.

P-30.25 Report, 12 January, 1966, Department of Provincial Secretary.

P-30.26 Letter, 3 June, 1985, The Hon. F. Dube, Minister of Justice to Mr. A. Pare of the New Brunswick Trust Company.

P-30.27 Letter, 27 February, 1980, Mr. J. Cormie, President, Principal Savings and Trust Company to Mr. Creaghan, Department of Provincial Secretary.

P-30.28 Letter, 9 May, 1979, Mr. J. Cormie, President, Principal Savings and Trust Company to Mr. D. Morrison, Department of Provincial Secretary.

P-30.29 Cover, Financial Statements, 31 December, 1978, Principal Savings and Trust Company.

P-30.30 Memo, 28 February, 1966, Mr. H. Cochrane, Administrative Assistant, Department of Provincial Secretary to Mr. I. Cameron.

P-30.31 Letter, 30 March, 1984, Ms. A. Smith, Legal Department, Principal to Consumer and Corporate Affairs.

P-30.32 Letter, 19 December, 1983, Mr. A. Creaghan, Director, Corporate and Trust Affairs to Mr. R. Lawson, Principal Savings and Trust Company.

P-30.33 Annual Return of Trust, Building and Loan Companies, 1983, for Principal Savings and Trust Company.

P-30.34 Letter, 31 May, 1982, Mr. A. Creaghan, Director, Corporate & Trust Affairs to Mr. Lanston, Vice-President, Principal Savings and Trust Company.

P-30.35 Annual Return of Trust, Building and Loan Companies, 1982, for Principal Savings and Trust Company.

P-30.36 Letter, 12 July, 1982, Legal Department, Principal to Department of Provincial Secretary.

P-30.37 Certificate, 5 May, 1982, Mr. J. Cormier, President of Provincial Savings and Trust Company.

P-30.38 Letter, 28 October, 1981, Ms. A. Smith, Legal Department, Principal to Mr. D. Morrison, Department of Provincial Secretary.

P-30.39 Certificate, 27 October, 1981, Mr. R. Langston, Vice-President of Principal Savings and Trust Company.

P-30.40 Letter, 4 June, 1982, Ms. A. Smith, Legal Department, Principal to Mr. A. Creaghan, Director, Corporate and Trust Affairs.

P-30.41 Letter, 14 August, 1981, Mr. R. Kallir, Principal to Mr. D. Morrison, Department of Provincial Secretary.

P-30.42 Annual Return of Trust, Building and Loan Companies, 1981, for Principal Savings and Trust Company.

P-30.43 Receipt, 4 June, 1981, Department of Justice to Principal Savings and Trust Company.

P-30.44 Receipt, 4 June, 1981, Department of Justice to Principal Savings and Trust Company.

P-30.45 Certificate, 14 August, 1981, Mr. K. Marlin, Secretary-Treasurer of Principal Savings and Trust Company.

P-30.46 Trust Company Act Certificate, 30 January, 1981, Mr. T. Dansereau, Director of Trust Companies, Province of Alberta.

P-30.47 Extract of Meeting Minutes, 23 January, 1981, by Mr. Langston, Vice-President, Principal Savings and Trust Company.

P-30.48 Power of Attorney for Principal Savings and Trust Company, for 1981.

P-30.49 Letter, 1 March, 1966, Mr. L. Hashey, Deputy Provincial Secretary to Mr. R. Lister of McKelvey, Macaulay, Machum & Fairweather.

P-30.50 Letter, 23 February, 1966, Mr. R. Lister of McKelvey, Macaulay, Machum & Fairweather ot Mr. L. Hashey, Deputy Provincial Secretary.

P-30.51 Letter, 27 January, 1966, Mr. L. Hashey, Deputy Provincial Secretary to Mr. R. Lister of McKelvey, Macaulay, Machum & Fairweather.

P-30.52 Letter, 7 January, 1966, Mr. R. Lister of McKelvey, Macaulay, Machum & Fairweather to Mr. L. Hashey, Deputy Provincial Secretary.

P-30.53 Letter, 2 December, 1965, Mr. L. Hashey, Deputy Provincial Secretary to Mr. R. Lister, of McKelvey, Macaulay, Machum & Fairweather.

P-30.54 Letter, 3 November, 1965, Mr. R. Lister, of McKelvey, Macaulay, Machum & Fairweather to Mr. L. Hashey, Deputy Provincial Secretary.

P-30.55 Letter, 7 January, 1966, Mr. R. Lister of McKelvey, Macaulay, Machum & Fairweather to Mr. L. Hashey, Deputy Provincial Secretary.

P-30.56 Principal Officers.

P-30.57 Letter, 31 December, 1980, Mr. J. Cormie, President, Principal Savings and Trust Company to Department of Provincial Secretary.

P-30.58 Cover, Financial Statements, 31 December, 1980, Principal Savings and Trust Company.

P-30.59 Letter, 20 May, 1981, Mr. G. Elliott, Financial Affairs Analyst to Mr. R. Kallir, Principal Savings and Trust Company.

P-30.60 Letter, 11 May, 1981, Mr. R. Kallir, Principal Savings and Trust Company to Mr. A. Creaghan, Consumer and Corporate Services Branch.

P-30.61 Receipt, 19 February, 1981, Department of Justice to Principal Group Ltd.

P-30.62 Letter, 5 February, 1981, Mr. R. Kallir, Principal Savings and Trust Company to Trust Section, Corporate Affairs Division.

P-30.63 Letter, 19 February, 1981, Mr. A. Creaghan, Director, Corporate and Trust Affairs to Mr. R. Kallir, Principal Savings and Trust Company.

P-30.64 Statement.

P-30.65 Financial Statement, 30 November, 1980, Principal Savings and Trust Company.

P-30.66 Certificate of Solvency, 10 February, 1981, Mr. J. Cormie, President and Mr. K. Marlin, Secretary-Treasurer of Principal Savings and Trust Company.

P-30.67 List of parent and affiliated companies.

P-30.68 List of Directors.

P-30.69 Letter, 22 April, 1981, Mr. R. Kallir, Principal Savings and Trust Company to Department of Justice.

P-31 Trust, Building and Loan Companies Licensing Act

P-31.1 Letter, 15 April, 1987, Mrs. P. Stotts, Secretary, Investors Group Trust Co. Ltd. to Trust Affairs, Consumer and Corporate Affairs Branch.

P-31.2 Annual Return of Trust, Building and Loan Companies, 1987, Investors Group Trust Co. Ltd.

P-31.3 Memo, 17 September, 1987, Mr. G. Elliott, Financial Affairs Analyst to Mr. C. McAllister, Director, Corporate and Trust Affairs.

P-31.4 Letter, 28 May, 1987, Mr. R. Lister of McKelvey, Macaulay & Machum to Trust Affairs.

P-31.5 Annual Return of Trust Building and Loan Companies, 1987, Principal Savings and Trust Company.

P-31.6 Annual Return of Trust Building and Loan Companies, 1987, Royal Trust Corporation of Canada.
P-31.7 Check List.

P-32 Investment Contracts

P-32.1 Investors Waiting for Report by Ombudsman, 13 January, 1990, Telegraph Journal.
P-32.2 Manitoba Securities Act.
P-32.3 Letter, 21 July, 1987, Mr. C. McAllister, Director, Corporate and Trust Affairs to Mr. D. Sanders, Office of the Administrator.
P-32.4 Letter, 21 July, 1987, Mr. C. McAllister, Director, Corporate and Trust Affairs to Mr. P. Tapper, Director of Commercial Relations, Department of Consumer Affairs and Communications, Newfoundland.
P-32.5 Letter, 2 January, 1985, Mr. T. Fagan, Superintendent of Insurance, Newfoundland to Mr. A. Creaghan, Director, Corporate and Trust Affairs.
P-32.6 Investment Contracts Act of Ontario.
P-32.7 Extract - Report of the Canadian Committee on Mutual Funds and Investment Contracts. 1969.

P-33 Definition of Security

P-33.1 U.S. Security Definitions

P-34 H.J. Hotels Limited Partnership

P-35 C.S.A. Meeting - Fall/1985

P-36 Five Estates

P-37 Dual licensing in New Brunswick - life and mutual funds

P-38 Fundy Gold Ltd.

P-39 Seaboard Securities Inc.

P-40 Citizen Limited Partnership

P-41 Harbourside Club

P-42 Humphrey Place Limited Partnership

P-43 Sky View White Oaks Limited Partnership

P-44 Brokers Registered in N.B.

P-45 Westside Plaza Limited Partnership

P-46 Act to Amend N.B. Security Frauds Prevention Act

P-47	Security Frauds Prevention Act - (Transfer)
P-48	Securities - ABC
P-49	Security Frauds Prevent Act - (NB) Correspondence
P-50	Securities - General Correspondence
P-51	Trust Administrators' Conference - Chateau Frontenac-Quebec City - June 7-10, 1982
P-52	Trust Administrators' Conference - Charlottetown, Prince Edward Island - June 21-22, 1984
P-53	Trust Administrators' Conference, Vancouver, B.C., June 6-7, 1985
P-54	Corporate Securities Registration Meeting - Jan 23/85 9:00 a.m.
P-55	Investors Syndicate
P-56	Investors Group Trust Co. Ltd. - T.B.L.C.L. Act

APPENDIX Q

Principal Financial Group
- Governmental Files -

DEPARTMENT OF JUSTICE
ASSISTANT DEPUTY MINISTER

Table of Contents

Q-1 File #9-0380

Q-1.1 Memo, 4 August, 1989, Mr. P. LeBreton, Deputy Attorney General to Mr. R. Scammell, Assistant Deputy Minister of Justice.

Q-1.2 News Release, 22 September, 1989, Province of British Columbia.

Q-1.3 Letter, 22 September, 1987, The Hon. Mel Couvelier, Minister of Finance and Corporate Relations to The Hon. Dick Johnston, Provincial Treasurer, Province of Alberta.

Q-1.4 Letter, August, 1989, The Hon. D. Johnston, Provincial Treasurer, Province of Alberta to Investment Contract Holders.

Q-1.5 Memo, 10 July, 1989, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. P. MacNutt, Legal Services Division.

Q-2 File # 9-0399

Q-2.1 Memo, 7 March, 1990, The Hon. J. Lockyer, Minister of Justice to Mr. P. LeBreton, Deputy Minister of Justice.

Q-2.2 N.S. has duty to help Principal victims - ombudsman, 17 February, 1990, The Halifax Chronicle-Herald.

Q-2.3 Province to assist Principal investors, 16 February, 1990, The Halifax Chronicle-Herald.

Q-2.4 Now for a quick settlement, 17 February, 1990, The Halifax Chronicle-Herald.

Q-2.5 Memo, The Hon. J. Lockyer, Minister of Justice to Mr. P. LeBreton, Deputy Minister of Justice.

Q-2.6 Nova Scotia endorses Principal compensation, The Globe & Mail.

Q-3 File # 9-0358

Q-3.1 Letter, 21 December, 1989, Mr. J. McNiven, of McNiven, Kelly & O'Neil to The Hon. J. Lockyer.

Q-3.2 Letter, 15 December, 1989, Mr. G. MacLean, Ombudsman of Nova Scotia to Mr. J. McNiven of McNiven, Kelly & O'Neil.

Q-3.3 Letter, 13 December 1989, Mr. A. Peddle, Ombudsman of Newfoundland to Mr. Hinchey, Newfoundland investor.

Q-3.4 Letter, 20 October, 1989, The Hon. J. Lockyer, Minister of Justice to Mr. B. Carroll, investor.

Q-3.5 Letter, 12 October, 1989, The Hon. F. McKenna, Premier to The Rt. Hon. B. Mulroney.

Q-3.6 Memo, 4 October, 1989, The Hon. J. Lockyer, Minister of Justice to Mr. Fernand Landry, Deputy Minister, Office of the Premier.

Q-3.7 Memo, 26 September, 1989, Mr. R. Scammell, Assistant Deputy Minister of Justice to The Hon. J. Lockyer, Minister of Justice.

Q-3.8 News Release, 26 May, 1989, from Special Counsel for Principal Investors.

Q-3.9 Letter, 28 April, 1989, Mr. J. McNiven, of McNiven, Kelly & O'Neil to New Brunswick FIC Investors.

Q-3.10 Memo, 13 July, 1988, Mr. M. Patel, Assistant Director of Public Prosecutions to Mr. P. MacNutt, Legal Services.

* Q-3.11 Police Report, 31 May 1988, M. S. Chapman, Cst., Moncton Police Force to Mr. Patel, Assistant Director of Public Prosecutions.

Q-3.12 Alberta Investment Contracts Act.

Q-3.13 Letter, 1 February, 1988, The Hon. J. Lockyer, Minister of Justice to Mr. G. Collins, investor.

Q-3.14 Memo, 28 January, 1988, The Hon. J. Lockyer, Minister of Justice to Mr. R. Scammell, Assistant Deputy Minister of Justice.

Q-3.15 Memo, 28 January, 1988, Mr. R. Scammell, Assistant Deputy Minister of Justice to The Hon. J. Lockyer, Minister of Justice.

Q-3.16 Memo, 27 January, 1988, Mr. C. McAllister, Director of Corporate and Trust Affairs to Mr. R. Scammell, Assistant Deputy Minister of Justice.

Q-3.17 Notice to Creditors and Claimants of PST, 13 January, 1988, The Daily Gleaner.

Q-3.18 Memo, 26 January, 1988, The Hon. J. Lockyer to File.

Q-3.19 Memo, 5 January, 1988, Mr. R. Scammell, Assistant Deputy Minister of Justice to The Hon. J. Lockyer.

Q-3.20 Memo, 9 November, 1987, Mr. R. Scammell, Assistant Deputy Minister of Justice to The Hon. J. Lockyer, Minister of Justice.

Q-3.21 Handwritten Notes.

Q-3.22 Letter, by Mr. B. Carroll, Chairman of New Brunswick Principal Investors Group.

Q-3.23 List of Telephone Numbers for Information.

Q-3.24 Letter, Mr. B. Carroll, N.B. Principal Investors to The Hon. J. Lockyer, Minister of Justice.

Q-4 File # 9-0308. Principal Group Ltd., FIC and AIC

Q-4.1 Letter, 25 September, 1987, Mr. G. LeBlanc, of Anderson, Sheehan & McWilliam to Mr. G. Gregory, Deputy Minister of Justice.

	Q-4.2	License, 19 January, 1966, PST trust company license.
*	Q-4.3	Letter, 8 September, 1987, The Hon. D. Clark, Minister of Justice to Mr. J. Stewart.
*	Q-4.4	Letter, 24 August, 1987, Mr. J. Stewart to The Hon. D. Clark, Minister of Justice.
	Q-4.5	Letter, 15 September, 1987, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. C. Varma, investor.
*	Q-4.6	Letter, 1 September, 1986, Mr. C. Varma, investor, to the Director, New Brunswick Securities Division.
	Q-4.7	Memo, 14 September, 1987, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. C. McAllister, Director of Corporate & Trust Affairs.
	Q-4.8	Memo, 10 September, 1987, Mr. G. Elliott, Financial Affairs Analyst to Mr. R. Scammell, Assistant Deputy Minister of Justice.
	Q-4.9	Letter, 27 August, 1987, The Hon. R. McCready, Minister of Transportation to The Hon. D. Clark, Minister of Justice.
	Q-4.10	Letter, 27 August, 1987, The Hon. R. McCready, Minister of Transportation to The Hon. D. Johnston, Provincial Treasurer, Alberta.
	Q-4.11	Speech, 20 August, 1987 by The Hon. D. Clark, Minister of Justice.
	Q-4.12	Briefing Materials, 19 August, 1987, Mr. C. McAllister, Director of Corporate and Trust Affairs to Mr. R. Scammell, Assistant Deputy Minister of Justice.
	Q-4.13	News Release, 26 August, 1987, New Brunswick Branch of the Canadian Bar Association.
	Q-4.14	Letter, 21 September, 1987, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. R. D. MacIntosh, Executive Director, Administration and Policy, Department of Transportation.
	Q-4.15	Memorandum to Cabinet, 3 August, 1978; Order-in-Council, 6 September, 1978, 78-786.
	Q-5	File # 9-0315
	Q-5.1	Memo, 18 December, 1987, Mr. B. Athey, Assistant Deputy Attorney General to Mr. W. Connor, Assistant Deputy Minister of Justice.
	Q-5.2	Memo, 11 December, 1987, Mr. P. MacNutt, Legal Services Division, to Mr. R. Burns, Director of Legal Services.
	Q-5.3	Letter, 7 December, 1987, The Hon. J. Lockyer, Minister of Justice to Mr. J. White, investor.
	Q-5.4	Memo, 7 December, 1987, The Hon. J. Lockyer, Minister of Justice to Mr. R. Scammell, Assistant Deputy Minister of Justice.
	Q-5.5	Memo, 3 December, 1987, The Hon. J. Lockyer, Minister of Justice to The Hon. S. Lee, Minister of Transportation.

	Q-5.6	Memo, 25 November, 1987, Mr. R. Scammell, Assistant Deputy Minister of Justice to The Hon. J. Lockyer, Minister of Justice.
	Q-5.7	Memo, 24 November, 1987, Mr. W. Connor, Assistant Deputy Minister of Justice to Mr. F. Landry, Deputy Minister, Office of the Premier.
	Q-6	# 9-0366
	Q-6.1	Letter, 14 September, 1987, Mr. P. MacNutt, Legal Services, to Mr. D. Nicholson, Chair, Public Utilities Board.
*	Q-6.2	Interview Summary, 8 September, 1987, by Mr. Cy Oram re Carmella LeBlanc and Ronald LeBlanc.
*	Q-6.3	Interview Summary, 10 September, 1987, by Mr. Cy Oram re Mr. Paul Allain.
*	Q-6.4	Interview Summary, 8 September, 1987, by Mr. Cy Oram re Mr. Berg Jensen.
*	Q-6.5	Interview Summary, 9 September, 1987, by Mr. Cy Oram re Mr. Gary Steeves.
*	Q-6.6	Interview Summary, 17 September, 1987, by Mr. Cy Oram re Ms. Cheryl A. Slater.
*	Q-6.7	Interview Summary, 17 September, 1987, by Mr. Cy Oram re Ms. Anne Firlotte.
*	Q-6.8	Interview Summary, 23 September, 1987, by Mr. Cy Oram re Mr. James Matthews.
*	Q-6.9	Interview Summary, 16 September, 1987, by Mr. Cy Oram re Mr. and Mrs. McInnis.
*	Q-6.10	Interview Summary, 16 September, 1987, by Mr. Cy Oram re Mrs. Elliott.
*	Q-6.11	Interview Summary, 17 September, 1987, by Mr. Cy Oram re Mr. McCarthy.
*	Q-6.12	Interview Summary, 19 September, 1987, by Mr. Cy Oram re Mr. Mayo.
*	Q-6.13	Interview Summary, 23 September, 1987, by Mr. Cy Oram re Mrs. O'Brien.
*	Q-6.14	Interview Summary, 6 September, 1987, by Mr. Cy Oram re Mrs. Beneteau.
*	Q-6.15	Interview Summary, 22 September, 1987, by Mr. Cy Oram re Mrs. Baiani.
*	Q-6.16	Signed Statement, 17 September, 1987, by Mr. Alan Slater, Witnessed by Mr. Cy Oram.
	Q-7	Principal Savings and Trust
	Q-7.1	Memo, 11 August, 1987, Mr. C. McAllister, Director, Corporate and Trust Affairs to Mr. R. Scammell, Assistant Deputy Minister of Justice.
	Q-7.2	Memo, 2 July, 1987, Mr. G. Elliott, Financial Affairs Analyst to Mr. C. McAllister, Director, Corporate and Trust Affairs (Notes, 3 July, 1987, attached).

Q-8	**N.B. Branch Canadian Bar**
Q-8.1	Memo, 25 May, 1988, Mr. P. MacNutt, Solicitor, Legal Services, to Mr. R. Scammell, Assistant Deputy Minister of Justice.
Q-8.2	Memo, 10 May, 1988, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. P. MacNutt, Solicitor, Legal Services.
Q-8.3	Letter, 2 May, 1988, Mr. J. McNiven of McNiven, Kelly & O'Neil to Mr. R. Scammell, Assistant Deputy Minister of Justice.
Q-8.4	Letter, 30 March, 1988, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. J. McNiven of McNiven, Kelly & O'Neil.
Q-8.5	Letter, 28 March, 1988, Mr. J. McNiven of McNiven, Kelly & O'Neil to Mr. R. Scammell, Assistant Deputy Minister of Justice.
Q-8.6	Note by The Hon. J. Lockyer, Minister of Justice.
Q-8.7	Letter, 7 July, 1989, The Hon. J. Lockyer, Minister of Justice to Mr. J. McNiven of McNiven, Kelly & O'Neil.
Q-8.8	Letter, 1 August, 1989, The Hon. J. Lockyer, Minister of Justice to Mr. J. McNiven of McNiven, Kelly & O'Neil.
Q-8.9	Letter, 28 June, 1989, The Hon. J. Lockyer, Minister of Justice to Mr. J. McNiven of McNiven, Kelly & O'Neil.
Q-8.10	Letter, 28 June, 1989, The Hon. J. Lockyer, Minister of Justice to Mr. J. McNiven of McNiven, Kelly & O'Neil.
Q-8.11	Letter, 6 June, 1989, Mr. J. McNiven of McNiven, Kelly & O'Neil to The Hon. J. Lockyer, Minister of Justice.
Q-8.12	Letter, 27 February, 1989, Mr. J. Major of Bennett, Jones to Mr. White of Lucas, Bishop & Fraser.
Q-8.13	Letter, 19 June, 1989, Mr. J. McNiven of McNiven, Kelly & O'Neil to The Hon. J. Lockyer, Minister of Justice.
Q-9	**Principal Group General**
Q-9.1	Memo, 1 February, 1990, Mr. D. Smith, Administrator to Mr. R. Scammell, Assistant Deputy Minister of Justice.
Q-9.2	Letter, 28 January, 1988, Mr. D. Smith, Administrator to Mr. C. McAllister, Director of Corporate & Trust Affairs.
Q-10	**Principal Group Investors**
Q-10.1	Letter, 19 June, 1990, The Hon. J. Lockyer to Mr. A. Estabrooks, investor.
Q-11	**FIC/AIC General**
Q-11.1	Letter, 24 September, 1987, Mr. D. Sanders, Administrator to Mr. P. MacNutt, Solicitor, Legal Services.

Q-11.2 Letter, 21 September, 1987, Mr. G. LeBlanc of Anderson, Sheehan & McWilliam to Mr. Douglas Sanders, Administrator - Security Frauds Prevention Act.

Q-11.3 Memo, 9 November, 1987, Mr. R. Scammell, Assistant Deputy Minister of Justice to The Hon. J. Lockyer, Minister of Justice.

Q-11.4 Draft Speech, Mr. G. Gregory, Deputy Minister of Justice to Mr. R. Scammell, Assistant Deputy Minister of Justice.

Q-11.5 Memo, 5 January, 1988, Mr. R. Scammell, Assistant Deputy Minister of Justice, to The Hon. J. Lockyer, Minister of Justice.

Q-11.6 Letter, 2 May, 1988, Mr. J. McNiven of McNiven, Kelly & O'Neil to Mr. R. Scammell, Assistant Deputy Minister of Justice.

Q-12 FIC/AIC Investors

Q-12.1 Memo, 11 May, 1989, Mr. R. Scammell, Assistant Deputy Minster of Justice to Mr. P. MacNutt, Legal Services.

Q-12.2 Letter, 28 April, 1989, Mr. J. McNiven of McNiven, Kelly & O'Neil to FIC Investors of New Brunswick.

Q-12.3 Letter, 2 March, 1988, The Hon. J. Lockyer, Minister of Justice to Mr. G. Collins, investor.

Q-12.4 Letter, 22 February, 1988, Mr. G. Collins, investor to The Hon. J. Lockyer, Minister of Justice.

Q-12.5 Handwritten notes. Moncton Investment Contract Holders Meeting.

Q-12.6 Ross Ingram, 31 January, 1990, The Oromocto Post.

Q-12.7 Handwritten notes, The Hon. D. Clark's Response to events.

Q-12.8 Letter, 5 February, 1990, to The Hon. F. McKenna, Premier.

Q-12.9 News Release, 31 March, 1990, Department of Finance (Canada).

Q-12.10 Letter, 2 October, 1989, The Hon. F. McKenna, Premier to The Rt. Hon. B. Mulroney, Prime Minister.

Q-12.11 Letter, 28 September, 1989, The Hon. J. Lockyer, Minister of Justice to The Hon. F. McKenna, Premier (Draft).

Q-12.12 Letter, 18 September, 1989, Mr. B. Carroll, Chairman (PIPA) to The Rt. Hon. B. Mulroney, Prime Minister.

Q-13 Code Inquiry

Q-13.1 Letter, 5 November, 1987, Mr. D. Smith, Administrator to Mr. C. McAllister, Director, Corporate and Trust Affairs.

Q-13.2 Letter, 8 September, 1987, Mr. Wittmann, Counsel for Code Inquiry to Mr. D. Nicholson, Deputy Administrator (Chairman, N.B. Public Utilities Board).

Q-13.3 Letter, 1 September, 1987, Mr. D. Nicholson, Deputy Administrator to Mr. Wittmann, Counsel to the Inspector.
Q-13.4 Handwritten Note - re Mr. J. McNiven of McNiven, Kelly & O'Neil.
Q-13.5 Notice to Investment Contract Holders of First Investors Corporation Ltd. and Associated Investors of Canada Ltd., 15 September, 1987, The Globe & Mail.
Q-13.6 Typed Notes - re Mr. B. Carroll.

Q-14 Principal - Provincial Offers

Q-14.1 Letter, 29 May, 1989, Mr. A. Kalke, Office of Assistant Deputy Provincial Treasurer (Alberta) to Mr. R. Scammell, Assistant Deputy Minister of Justice.
Q-14.2 News Release, 26 May, 1989, by Special Counsel for FIC/AIC Investors.
Q-14.3 Fax, 26 May, 1989, Mr. J. McNiven of McNiven, Kelly & O'Neil to Mr. R. Scammell, Assistant Deputy Minister of Justice.
Q-14.4 Memo, 10 July, 1989, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. P. MacNutt, Solicitor, Legal Services.
Q-14.5 Memo, 28 June, 1989, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. P. LeBreton, Deputy Attorney General.
Q-14.6 Fax, 29 May, 1989, Mr. Stroich, Alberta, Treasury/Financial Institutions to Mr. R. Scammell, Assistant Deputy Minister of Justice.
Q-14.7 Memo, 13 July, 1989, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. P. MacNutt, Solicitor, Legal Services.
Q-14.8 Letter, 29 September, 1989, The Hon. D. Getty, Premier of Alberta to The Hon. F. McKenna.
Q-14.9 Letter, 15 August, 1989, The Hon. F. McKenna, Premier to The Hon. D. Getty, Premier of Alberta.
Q-14.10 Alberta told not to pay all investors, 9 January, 1990, The Globe & Mail.
Q-14.11 Letter, 18 December, 1989, The Hon. D. Johnston, Provincial Treasurer, Alberta to The Hon. J. Lockyer, Minister of Justice.
Q-14.12 Settlement Agreement, 12 December, 1989, The Province of Alberta.
Q-14.13 Letter, 9 August, 1989, The Hon. J. Lockyer, Minister of Justice to The Hon. D. Johnston, Provincial Treasurer, Alberta.
Q-14.14 Principal Payments - For Peter.
Q-14.15 Memo, 26 September, 1989, Mr. R. Scammell, Assistant Deputy Minister of Justice to The Hon. J. Lockyer, Minister of Justice.

Q-14.16 Memo, 14 June 1989, Mr. R. Scammell, Assistant Deputy Minister of Justice to The Hon., J. Lockyer, Minister of Justice.

Q-15 FIC/AIC Nova Scotia

Q-15.1 N.S. to compensate Principal investors, 16 February, 1990, The (Saint John) Telegraph-Journal.

Q-15.2 Nova Scotia endorses Principal compensation 16 February, 1990, The Globe and Mail.

Q-15.3 Note, 16 February, 1990, Mr. P. LeBreton, Deputy Minister of Justice to Mr. R. Scammell, Assistant Deputy Minister of Justice.

Q-15.4 Memo, 7 March, 1990, The Hon. J. Lockyer, Minister of Justice to Mr. P. LeBreton, Deputy Minister of Justice.

Q-15.5 Letter, 7 March, 1990, The Hon. J. Lockyer, Minister of Justice to Mr. B. Carroll, Chairman, New Brunswick Principal Investors Association.

Q-15.6 Letter, 5 March, 1990, Mr. B. Carroll, Chairman, New Brunswick Principal Investors Association to The Hon. J. Lockyer, Minister of Justice.

Q-16 FIC/AIC Newfoundland

Q-16.1 Letter, 13 December, 1989, Mr. A. Peddle, Newfoundland Ombudsman to Mr. M. Hinchey.

Q-16.2 Principal investors make new plans to sue Newfoundland government, 18 March, 1990, The Sunday Express.

Q-17 FIC/AIC British Columbia

Q-17.1 News Release, 22 September, 1989, Province of British Columbia.

Q-17.2 B.C. has no plans to assist Principal investors, 10 August, 1989, The Montreal Gazette.

Q-17.3 Principal Group investors turn down B.C. offer, 26 September, 1989, The Globe & Mail.

Q-17.4 B.C. Principal investors get help, The Globe & Mail.

Q-17.5 B.C. prepared to fight pooled compensation.

Q-18 FIC/AIC Saskatchewan

Q-18.1 Saskatchewan to help only its own Principal Group investors, November, 1989, The Globe & Mail.

Q-18.2 Saskatchewan willing to compensate residents who invested in Principal, 10 November, 1989, The Montreal Gazette.

Q-18.3 Saskatchewan gets blame in Principal case 25-27, November, 1989, The Financial Post.

Q-18.4 Principal investors to sue Saskatchewan, 23 December, 1989. The Globe & Mail.

Q-18.5 Harsh report on Principal rejected by Saskatchewan, 25 November, 1989, The Globe & Mail.

Q-18.6 Saskatchewan gets blame in Principal case. The Financial Post.

Q-19 FIC/AIC Alberta File

Q-19.1 Principal investors blamed for losses, 29 August, 1989, The Globe & Mail.

Q-19.2 Alberta has it right on the Principal payouts, 30 August, 1989, The Globe & Mail.

Q-19.3 Compensation Adequate - Ombudsman, 29 August, 1989, The Times-Transcript.

Q-19.4 Unaware of the risks, 30 August, 1989, The Globe & Mail.

Q-19.5 News Release, 28 August, 1989, Government of Alberta.

Q-20 FIC/AIC Securities Act

Q-20.1 Memo, 18 November, 1987, Mr. R. Scammell, Assistant Deputy Minister of Justice to Mr. W. Connor, Acting Deputy Minister of Justice.

Q-20.2 Memo, 7 December, 1987, Mr. R. Scammell, Assistant Deputy Minister of Justice to The Hon. J. Lockyer.

Q-20.3 Memo, 30 November, 1987, The Hon. Sheldon Lee, Minister of Transportation to The Hon. J. Lockyer.

Q-20.4 Letter, 17 November, 1987, The Hon. J. Lockyer, Minister of Justice to The Hon. S. Lee, Minister of Transportation.

Q-21 Department of Justice FIC/AIC Ombudsman Review in N.B.

Q-21.1 Letter, 24 January, 1990, The Hon. F. McKenna, Premier to Mr. F. McInnis, investor.

Q-21.2 Letter, 18 January, 1990, The Hon. J. Lockyer, Minister of Justice to F. McInnis, investor.

Q-21.3 Letter, 26 January, 1990, Mr. P. LeBreton, Deputy Minister of Justice to Ms. J. Booker.

Q-21.4 Memo, 22 January, 1990, Ms. J. Booker to Mr. P. LeBreton, Deputy Minister of Justice.

Q-21.5 Letter, 10 January, 1990, Mr. F. McInnis, investor to The Hon. F. McKenna, Premier.

Q-21.6 Some Principal investors can write off part of their losses, 23 January, 1990, The Moncton Times-Transcript.

APPENDIX R

"A New Securities Act for New Brunswick", A Report prepared by Richard W. Bird for Law Reform Branch, Office of the Attorney General, Province of New Brunswick, January, 1990.

APPENDIX S

N.B. PRINCIPAL GROUP INVESTORS COMMITTEE

Table of Contents

S-1	**Principal Investors Group File**
S-1.1	Letter, 7 May, 1990, Ms. R. Meadows, Secretary, N.B. Principal Investors Group.
S-1.2	Minutes of Principal Group Ltd., 11 August, 1987.
S-1.3	List of Members
S-1.4	Speech
S-1.5	Letter, 5 June, 1989, Mr. B. Carroll, Chairman, N.B. Principal Investors Group to The Hon. F. McKenna, Premier and The Hon. J. Lockyer, Minister of Justice.
S-1.6	Letter, 21 March, 1990, Mr. J. McNiven of McNiven, Kelly & O'Neil to Mr. B. Carroll.
S-1.7	Letter, 31 May, 1989, Mr. J. Ryan, President, Coopers & Lybrand Ltd. to Mr. J. McNiven.
S-1.8	Letter, 26 March, 1990, Mr. J. McNiven to Mr. B. Carroll.
S-1.9	Letter, 6 June, 1989, Mr. J. Wright, President, Coopers & Lybrand to Mr. J. McNiven.
S-1.10	Letter, 22 March, 1990, Mr. J. Wright, Manager, Coopers & Lybrand to Mr. J. McNiven.
S-1.11	Fax, 30 May, 1989, Mr. J. McNiven to Mr. J. Ryan, President, Coopers & Lybrand.
S-1.12	News Release, 26 May, 1989, from Mr. J. McNiven.

APPENDIX T

Principal Consultants Ltd.
- Employee profiles and Affidavits -

T-1	Ms. Monica McNally
T-1.1	Employee profile, Ms. Monica McNally
T-1.2	Affidavit, 2 November, 1990, Ms. Monica McNally.
T-2	Mr. Alan Currie
T-2.1	Employee profile, Mr. Alan Currie
T-2.2	Affidavit, 14 September, 1990, Mr. Alan Currie.
T-3	Mr. Bentley MacLeod
T-3.1	Employee profile, Mr. Bentley MacLeod
T-4	Mr. Normand LeBlanc
T-4.1	Employee profile, Mr. Normand LeBlanc
T-5	Mr. Richard Stone
T-5.1	Employee profile, Mr. Richard Stone
T-6	Mr. Michael Walsh
T-6.1	Employee profile, Mr. Michael Walsh
T-6.2	Affidavit, 27 November, 1990, Mr. Michael Walsh.

APPENDIX U

Office of the Ombudsman
- File Documents -

Table of Contents

U-1	Materials Sent to Ombudsman's Office
U-1.1	Fax, 19 November, 1990, Mr. D. Sanders, former Acting Administrator, to Mr. C. Ferris, Office of the Ombudsman, enclosing letter, 17 October, 1986, from Mr. D. Nicholson, Chair, Public Utilities Board to Mr. R. D. MacIntosh, Executive Director, Administration and Policy Division, Department of Transportation.
U-1.2	Letter, 6 November, 1990, Mr. D. Smith, Administrator to Mr. C. Ferris, Office of the Ombudsman.
U-1.3	N.B. Principal Group Investors Committee to Mr. C. Ferris, Office of the Ombudsman (with Minutes of 7 October, 1987 meeting and 8 October, 1987, Moncton Times and Transcript, article attached).
U-1.4	Fax, 16 July, 1990, Mrs. J. Henderson, Council of Maritime Premiers to Mr. P. Clement, Office of the Ombudsman.
U-1.5	Letter, 9 April, 1990, Mr. D. Smith, Administrator, to Mr. C. Ferris, Office of the Ombudsman.
U-1.6	Letter, 20 March, 1990, Mr. J. McNiven, of McNiven, Kelly & O'Neil to Mr. C. Ferris, Solicitor, Office of the Ombudsman (B.C. Government offer enclosed).
U-1.7	Fax letter, 1 March, 1990, from Mr. J. McNiven, of McNiven, Kelly & O'Neil to Mr. C. Ferris, Office of the Ombudsman.
U-1.8	Settlement Agreement, Government of Alberta.
U-1.9	News Release, 26 February, 1990, Communications New Brunswick.
U-1.10	Letter, 2 January, 1990, Mr. J. McNiven, of McNiven, Kelly & O'Neil to Person on List - not included.
U-1.11	Fax, 14 November, 1989, Petition under Ombudsman Act from New Brunswick Principal Group Investors Committee (per T.R. "Bud Carroll, Chairman, and Ronnie Meadows, Secretary to the Ombudsman).
U-1.12	Letter, 7 November, 1989, Mr. J. McNiven, of McNiven, Kelly & O'Neil to Mr. C. Ferris, Office of the Ombudsman.
U-1.13	Securities Regulation in New Brunswick, July, 1985, by Mr. C. McAllister, Director of Corporate and Trust Affairs.
U-1.14	The N.B. Securities Act: Selection of a Model Act to Follow, December, 1985 by Mr. C. McAllister, Director of Corporate and Trust Affairs, Department of Justice.

U-1.15 The Report of the Canadian Committee on Mutual Funds and Investment Contracts, (Joint Federal-Provincial Study, 1969).

U-1.16 Securities Regulation for a Small Province: A Choice of Alternatives, August, 1985, by Mr. C. McAllister, Director, Corporate and Trust Affairs, Department of Justice.

U-1.17 Memo (undated) and Report, 16 February, 1984, memo Mr. B. Carroll, Chair, N.B. Principal Group Investors to Principal Trust Investors, attaching a Report entitled Summary of System Requirements for the Corporate, Consumer and Insurance Activities of the Department of Justice.

U-1.18 Records Schedules 1977, Provincial Archives of New Brunswick and Department of Provincial Secretary.

U-2 Ombudsman Newspaper Clippings

U-2.1 Province Nixes Principal Pay Out, The Times-Transcript, October 18, 1989.

U-2.2 Cormie Charges Valid Court Rules, The Telegraph-Journal, May 5, 1990.

U-2.3 Alberta Hopes To Recoup Principal Losses in $235 million lawsuit, Globe & Mail, May 12, 1990.

U-2.4 Cormies Are Facing Two New Lawsuits Concerning Assets, Financial Post, May 21, 1990.

U-2.5 Principal Trust Affairs: Liberals Would Assist N.B. Investors If Wrongdoing is Proven by Government, 8 August, 1987, Moncton Transcript.

U-3 Unpublished notes of Interviews of Mr. C. Ferris, Office of the Ombudsman

U-3.1 Interviews, 13 December, 1989; 6 March and 28 August, 1990, with Mr. D. Smith, Administrator, Security Frauds Prevention Act.

U-3.2 Interviews, 5 and 6 April, 1990, with Mr. C. McAllister, Director, Corporate and Trust Affairs, Department of Justice.

U-3.3 Interview, 9 April, 1990, with Mr. R. Richard, Superintendent of Insurance.

U-3.4 Interview, 29 August, 1990, with Mr. W.P. MacMurray, former Administrator of the Security Frauds Prevention Act (telephone).

U-3.5 Interview, 30 August, 1990, with Mr. D. Nicholson, Chair, Public Utilities Board and Mr. D. Sanders, former Acting Administrator, Security Frauds Prevention Act.

U-3.6 Interview, 31 August, 1990, with Mr. R.D. MacIntosh, Excutive Director, Administration and Policy Division, Department of Transportation (telephone).

APPENDIX V

Principal Group Investors
- Office of the Ombudsman File -

Table of Contents

V-1 A "Draft" Report Respecting the Regulation of First Investors Corporation Limited by the Province of New Brunswick.

V-2 Draft Report - Materials Sent by Ombudsman's Office

V-2.1 Letter, 22 November, 1990, Mr. C. Ferris, Office of the Ombudsman to Mr. G. MacGarvie, Executive Director, Treasury & Debt Management, Department of Finance.

V-2.2 Letter, 23 November, 1990, Mr. C. Ferris, Office of the Ombudsman to Mr. R. Jackson.

V-2.3 Letter, 17 December, 1990, Mr. J. E. Bérubé, Office of the Ombudsman to Mr. D. Seheult, Deputy Minister, Department of Transportation.

V-2.4 Letter, 17 December, 1990, Mr. J. E. Bérubé, Office of the Ombudsman to Mr. P. LeBreton, Q.C., Deputy Minister, Department of Justice.

V-2.5 Memo, 17 December, 1990, Ms. J. Badeau, Office of the Ombudsman to Mr. C. Ferris, Office of the Ombudsman.

V-2.6 Memo, 17 December, 1990, Ms. J. Badeau, Office of the Ombudsman to Mr. C. Ferris, Office of the Ombudsman.

V-2.7 Notes, 4 January, 1991, Mr. J. E. Bérubé, Office of the Ombudsman.

V-2.8 Letter, 16 January, 1991, Mr. J. E. Bérubé, Office of the Ombudsman to Mr. R. Jackson.

V-2.9 Letter, 16 January, 1991, Mr. J. E. Bérubé, Office of the Ombudsman to Mr. G. MacGarvie, Executive Director, Treasury & Dept Management, Department of Finance.

V-2.10 Letter, 16 January, 1991, Mr. J. E. Bérubé, Office of the Ombudsman to Mr. W. MacMurray.

V-2.11 Letter, 16 January, 1991, Mr. J. E. Bérubé, Office of the Ombudsman to Mr. E. McKinnon, Secretary, Board of Management.

V-3 Responses to "Draft Report" by Members of Authorities

V-3.1 Letter, 4 January, 1991, Mr. D. L. Seheult, Deputy Minister, Department of Transportation to Mr. J. E. Bérubé, Office of the Ombudsman, enclosing letter, 21 December, 1990, from Mr. D. Nicholson, Chair, Public Utilities Board.

V-3.2 Fax, 4 January, 1991, Mr. D. Sanders, Secretary, Public Utilities Board to Mr. J. E. Bérubé, Office of the Ombudsman.

V-3.3 Letter, 8 January, 1991, Mr. P. LeBreton, Deputy Minister, Department of Justice to Mr. J. E. Bérubé, Office of the Ombudsman.

V-3.4 Letter, 28 January, 1991, Mr. G. H. MacGarvie, Executive Director, Treasury & Dept Management, Department of Finance to Mr. J. E. Bérubé, Office of the Ombudsman.

V-3.5 Letter, 31 January, 1991, Mr. P. LeBreton, Q.C., Deputy Minister, Department of Justice to Mr. J. E. Bérubé, Office of the Ombudsman.

V-3.6 Fax letter, 31 January, 1991, Mr. D. Sanders, Secretary, Public Utilities Board to Mr. J. E. Bérubé, Office of the Ombudsman.

V-3.7 Fax letter, 1 February, 1991, Mr. D. C. Nicholson, Chairman, Public Utilities Board to Mr. J. E. Bérubé, Office of the Ombudsman.

V-3.8 Letter, 4 February, 1991, Mr. C. S. McAllister, Director, Corporate & Trust Affairs, Department of Justice to Mr. J. E. Bérubé, Office of the Ombudsman.

V-3.9 Letter, 30 January, 1991, Mr. R. C. Jackson to Mr. C. Ferris, Office of the Ombudsman.

V-3.10 Memo, 18 February, 1991, Mr. E. L. McKinnon, Secretary, Board of Management to Mr. J. E. Bérubé, Office of the Ombudsman.

V-3.11 Letter, 6 March, 1991, Ms. M. Beyea, Provincial Archivist to Mr. C. Ferris, Office of the Ombudsman.